The Management Review

OCTOBER, 1953

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A Partial List of Contents

The Management Review

General Management

ARE WE TALKING OURSELVES INTO A RECESSION?

THE language of optimism, of progress and prosperity, has not yet become the universal language of American business. On many sides of us these days we hear voices that speak the language of pessimism, of timidity, of inaction, of alarm and defeat.

I have been concerned and perplexed by these pessimistic predictions. People everywhere are asking whether there is going to be a recession, when it will come, and how bad it will be. Some of our most learned and respected economists have come up with a wide variety of answers that run the entire gamut from "yes" to "no," and the stock market often seems to have given up the ghost completely and crawled down into the storm cellar for the duration.

Let's take a good look at these gloomy predictions. Let's try to see them in their true perspective and view them in the light of reason.

Today we have peace—uneasy as that peace may be—and we have also perhaps a greater freedom of enterprise than we have enjoyed at any time in the past two decades. We have long hoped, fought, and prayed for these things; but to our utter amazement we now hear them cited by the pessimists in justification of their gloomy predictions. We are told that just because we do have peace and an honest dollar, a recession is inevitable—in other words, that war and inflation are essential to America's prosperity, and that without them we cannot maintain our maximum standard of living.

No one can convince me that sound money is a threat to American prosperity, and no one can make me believe that American business, which did such a magnificent job under the pressures of war, is unable to meet successfully the challenge of peace.

The only basic essential of a healthy, prosperous, steadily-growing economy is a system of private initiative and incentive, with free competitive markets, an honest dollar, and a chance to direct its industrial might into peaceful channels of production.

Today American business faces the greatest and most challenging opportunity that has come its way in 20 years. The only real threat to our future prosperity is the chance that we may yet "predict" ourselves into a recession; and I believe we could do just that.

If I wanted to discredit the free enterprise system by producing a serious business slump, I think I would start predicting from the housetops that hard times were on their way. And if I could shout long enough and loud enough, and could get other people to take up my mournful cry, I think I could frighten millions of customers right out of the market place.

I think I could scare them into hoarding their money instead of spending it on a new house or a new car or on most of the other things they had planned to buy this year. In the same way, too, I think I might persuade a number of businessmen to become jittery and overcautious—to postpone the introduction of

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new models and new products, to cut back their expenses, deplete their inventories, curtail their research programs, and pare down their payrolls. And if I could get enough customers and enough businessmen to believe me, we would very shortly have a sure-enough recession on our hands.

But the distressing fact today is that many of the gloomy predictions that we hear from time to time are coming primarily not from those who would discredit us but from reputable economists and from business and financial experts who honestly want a free enterprise system.

While it is a little hard to understand how anyone who believes in a free economy in theory can show so little faith in it in practice, I do not challenge the sincerity or the professional ability of these gentlemen in any way. I do, however, question their perspective, their sense of proportion and their terminology.

To the average American, the word "recession" is economic double-talk for "depression"—which would certainly be a far cry from any business situation that now exists or that is likely to exist so far as I can see. I am not trying to minimize the importance or the significance of trends; but, as a businessman, there is one statistic in which I put more faith than in any other: the condition of the American consumer's pocketbook.

Today more people have jobs in America than ever before in our history—about 63½ million of them, in fact. They are also getting the highest wages in history. Personal income of the American people as a whole stands at an all-time peak. They are spending more money than ever before; and in spite of all they are spending, they still managed to save the fabulous sum of $17 billion last year.

Our Prophets of Pessimism are terribly worried by the fact that there is no pent-up postwar backlog of consumer demand, as there was at the end of World War II. But have all these millions of people—with all these billions of dollars in their pockets—already bought everything they need and want?

Of course not! If the product is right and the price is right, they are ready and able to buy it. We only have to make what they want; and to make them want what we make. So what our pessimists are really talking about is not a recession at all. It is nothing more nor less than plain, old-fashioned competition, with plenty of enterprise and salesmanship. And that's right down our alley!

—From an address by BENJAMIN F. FAIRLESS before the Economic Club of Detroit.

While You Are Waiting (If You Are)

FOR YEARS many business people have been looking for a depression or recession. In 1949 they looked so hard that they really caused a short one—even though there was no real basis for it. Experts too have followed the same path. They have predicted the setback almost to the day and hour. Only it never came.

Now the big pitch is that we will have a depression or recession in 1954. The chances are that those who think that way will be just as wrong as they have been in the past. No one expects business to keep going up in 1954, but quite a few astute and practical business men look for a "good" year.

Here are a few things to think about while you wait for things to go to pot:

In a little over six years, television-set ownership went from practically nothing

to 25 million plus. In a few years color television will capture the people's fancy. And in two years home air conditioning ownership will look the way television did a few years ago.

Your government will spend $43 billion this fiscal year on defense and will get more for your money. In the fiscal year starting next June another $43 billion will almost certainly be spent.

By 1960—and for the 10 years following—about 1,600,000 boys and 1,600,000 girls will reach 20 years of age. Most of them will marry, have children, build homes, and expect a high standard of living.

By 1970—based on an expected birth rate of 3.8 million per year—close to 2 million boys and 2 million girls will reach 20 years of age every year for the following 10 years. They, too, will exchange their work for your products.

At present we are still short 5 million homes. Home building has slowed up—but only temporarily. But school building, all grades, is way behind. The same holds for road building. Neither can be put off any longer.

Farming—there won't always be surpluses—is on the verge of revolutionary methods.

If you take the time you can think up a lot more reasons why there is still room for cheer, pep, enthusiasm, and imagination. The time isn't ripe for a depression unless most business men are.

—Tom Campbell in *Iron Age* 9/24/53

Words to Live by—

MY CREED

I do not choose to be a common man. It is my right to be uncommon—if I can. I seek opportunity—not security. I do not wish to be a kept citizen, humbled and dulled by having the state look after me. I want to take the calculated risk; to dream and to build, to fail and to succeed. I refuse to barter incentive for a dole. I prefer the challenges of life to the guaranteed existence; the thrill of fulfillment to the stale calm of utopia. I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat. It is my heritage to stand erect, proud and unafraid; to think and act for myself, enjoy the benefit of my creations and to face the world boldly and say: This I have done. All this is what it means to be an American.

—Dean Alfange in *Voiceways* (New York Telephone Co.)

DECISION-MAKING: ACID TEST OF EXECUTIVE COMPETENCE

THE outstanding characteristic of the good executive is his capacity for reaching decisions—for making up his mind and then translating thought into action. His constant dilemma is how to make choices that reflect wisdom and still make them promptly.

Some very able and conscientious men never make effective executives because their approach to difficult problems is judicial in its quality, rather than dynamic. They concentrate so exclusively on the necessity for doing the best thing that they do nothing.

They lack the sense of urgency which is required in the fast-moving routine of modern administration. Wise as counselors, they perform an important function in cautioning their impetuous associates against pitfalls that otherwise might have been overlooked, but left to themselves they will never come up affirmatively with a positive program of action. Actually, in most business situations a half-dozen possible plans are proposed, any one of which would work reasonably well; and it is far more important to select one and get on with the job than it is to prolong the debate until the last shred of doubt as to which is the perfect best can be removed.

Then there are some men who fail as executives because making up their minds is torture to them. They have something close to physical fear as the time for that final tough choice approaches, and will twist and turn and accept any temporary expedient that will give them a little more postponement. When they can no longer escape, such men seek instinctively to hedge the risk of failure by communicating their decision to their subordinates in such equivocal language that they can later claim they were right no matter what the outcome.

Over and against these must be set the men who decide too quickly and too easily. There is no self-satisfaction in the world like that of little men when they make breath-taking decisions with the utmost calm. All that their associates can do is to shudder and go quietly back to their desks, shaking their heads. Happily, by the law of chance such men are occasionally right.

Little has been written that I know of on the art of deciding, but I should guess there would be consensus on the following points:

Each phase of the problem must first be explored so far as time permits. This involves talking with as many others who have knowledge of the problem as one can, to make sure that the various points which bear upon it have been brought out and properly evaluated. You cannot weigh the pro and con without finding out what they are.

After this there must be time for reflection. This is very difficult to obtain amidst the pressure under which we all must live, since so often the man who decides must shoot from the hip. Putting a matter on the back of the stove for a bit, when we can, does wonders for the ultimate quality of the conclusion. What seem to be insoluble conflicts have a way of arranging themselves into an orderly whole if given an opportunity.

But reflection must not degenerate into weakness or cowardice; it must yield to crispness. When the time is ripe there is no way to decide but to decide.

And, once decided, the question should

stay that way. I consider it a sound rule of administration never to reopen a matter once the decision is made, unless it can be shown that the circumstances have changed or that new evidence has been discovered which was not previously taken into account. Nothing slows down action in a company more than the belief that what is decided today may be reversed tomorrow. The prudent fellows then wait and see.

Finally, communicating the decision is as important as making it. Those who are to carry it into effect must not be left in doubt as to what their instructions are, and all who need to know must be told.

—CLARENCE B. RANDALL in *Freedom's Faith*. Little, Brown and Company, Boston, 1953. 198 pages. $3.00.

ARE YOU HIRING A CONSULTANT—OR A PARASITE?

WILLIAM J. E. CRISSY
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BUSINESS CONSULTANTS, whatever their field, can best serve clients by eliminating the need for their services! A consultant's greatest sin is to perpetuate himself! Let me explain. The role of the consultant is to help clients to help themselves, to do their own jobs better. To the extent that he does the job *for* the client—even if his performance is excellent—the consultant is blameworthy. If he allows decisions and operations that are properly the client's own to be pushed off on him, the consultant develops dependence in the client, impedes the client's growth, and makes for his own self-perpetuation in the company situation. If this occurs, the client should either put the consultant on his payroll as a member of management or be reconciled to supporting a parasite.

Is the consultant doomed then to one problem per client? Certainly not. The more effectively and quickly he can help with the solution of one problem the more likely it is that he will be asked to assist with other problems. The best endorsement a consultant can have is a job well done. Frequently the chief source of his new business is pleased clients who spread the word.

In what ways can a consultant help? His most obvious and certainly his most frequent contribution probably lies in providing specialized knowledge. We are living in an era of experts. Professional fields seem to be subdividing *ad infinitum*. Today's executive does well to know what he doesn't know. He cannot hope to have on tap within himself—or even among his business associates—a sufficient diversity of knowledge to handle all the manifold management problems with which he is faced, unless he seeks specialized assistance. Typically, such help from outside is needed only sporadically. When the need is not continuous, it is obviously less expensive to seek aid as necessary from a consultant than to have a full-time specialist on the payroll.

Kindred to the contribution he can make through his specialized knowledge is the help the consultant can give through his familiarity with current practices and procedures being used in the solution of problems. He knows not only the "what"

but the "hows" as well! Beware of the vendor of gimmicks—and of the consultant who claims "the one best way"! Few problems that are complex enough to cause a business to seek a consultant's aid in the first place will admit of only one solution. The client may properly expect the consultant to recommend procedures and to cite the pros and cons of various alternatives, but it is still the client's responsibility to make the final decision on how a particular problem is to be handled.

Frequently the consultant's contribution is made by merely listening. The artful listener can help clients appreciably by enabling them to say just what their problems are. Most difficulties atrophy considerably in the telling; a clear expression of a problem often has within it the clues to the solution. Many times, as a by-product of listening, the consultant can discern underlying questions which, wittingly or not, have been left unstated.

Related to the listening function is the ability of the consultant to help by expressing an objective viewpoint on alternative courses of action. Unlike members of the company's management, he has no axe to grind in a particular company situation. His presence in a conference may be the catalyst needed to reconcile viewpoints and to bring about workable compromises. The paradox is that even if one of the company's people knows as much or more than the consultant about the matter in question, he will not exert the same influence. Truly in this situation the prophet is without honor in his own company!

In rendering these numerous services the consultant may lessen the "trial-and-error" learning of the client. He can point out at least a few *cul-de-sacs* based upon his observations in other companies. However, he should keep constantly in mind that his aim is to *get in and to get out*. The more quickly the client can do without him, the better he has done his job.

A prospective client for any kind of consulting aid might start by asking himself: What is my problem? Have I exhausted company resources for its solution? What kind of special help do I need? What safeguards against charlatanism are provided me (e.g., professional affiliations of the consultant, his reputation in the business community)? How can I use outside help to best advantage? After he has answered these questions, making use of such guidance as is available (see appended list of references), the client can then proceed with some assurance of obtaining valuable aid. As the services are being rendered he will do well to keep in mind, as a basic criterion of the consultant's worth to him, the fact that the consultant ought to be rapidly making himself unnecessary.

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Management and "Horse Sense"

N. Richard Diller
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FREQUENTLY we hear it said that a person "works like a horse" or "doesn't use his horse sense." An interesting lesson can perhaps be drawn from a comparison of the way a horse reacts and the way a man reacts.

Recently, while rummaging in a storage room in a small country town, I came across a small book printed in 1894—the *Biggle Horse Book*. Glancing through it, I found a set of rules advanced for the care and management of a horse. I was struck by the fact that, though men understood in 1894 that these rules applied to horses and produced satisfactory behavior, today many of us have failed to advance as far as this in our handling of men. Here is a list of these rules, just as they appeared in the *Biggle Horse Book*. As you read them, consider whether the word "man" might not be substituted for the word "horse," and the word "supervisor" or "foreman" for the phrase "stable man."

Always speak to a horse as you would to a gentleman.

Be gentle, be kind, be patient.

A horse can travel faster, safer and better with his head hanging down or free than it can when it is checked up.

By all means, let your horse have its head.

Proper food and lots of sentiment will make, with good blood, a good horse.

If you must put a frosty bit in a mouth, let it be your own.

Suffering begets sympathy.

If your animals throw up their heads, and act timidly, look after your stable man.

Such acts speak louder than words.

A clean stable is like a clean heart. It means better things.

Cast iron rules will not do in horse management any more than in the family.

If you caress your horse, it will make it feel as happy as a woman experiencing the same sensation.

You do not gain the confidence of your horse by whipping him.

Did you ever think of it?

The whip is the parent of stubborness. It is sure to be found somewhere in the pedigree of every balky horse. In training a young horse, use an intelligent brain instead of a cruel whip.

You cannot whip terror out of a horse or pound courage into one.

Kindness and reasonable persuasion are the best weapons to use in training and educating a horse. If he shies or frightens, soothe and encourage him, rather than beat and abuse him.

Cultivate a cheery way of speaking to your horse.

Some horses that are cross and lazy, because growled at and punched in the ribs until sour and discouraged, will prick forward their ears and follow in a hearty and glad manner that is surprising when they are kindly and encouragingly urged.

Man is really a miraculous creature, with all his moods and differences. Yet when he seems most difficult, most complex, be cool in your reasoning; approach the problem in a practical and factual manner. Put his behavior and your analysis to the test of good horse sense.

IT IS easier to smash an atom than a prejudice.

—ALFRED J. MARROW

HOW TO IMPROVE TEAMWORK BETWEEN DEPARTMENTS

Good coordination between departments is usually the result of much hard work. Department managers do not pull together until they learn to trust each other, and until they find from experience that their contributions to the success of any project will be fairly recognized and recorded.

How much progress any department head makes is largely dependent upon his ability to win the friendship, loyalty, and cooperation of other department executives. Patience, tact, skill, understanding, and a sympathetic attitude toward the other fellow's problems are all essential to good teamwork.

Here are 10 ideas designed to help department managers get better results from interdepartmental projects:

1. *Decide in advance what you will contribute.* In getting a group of fellow department managers to agree on a project, volunteer to do your share first. If your share is minor, or if some other department will have to bear the biggest share of the work burden, get that other department's approval before you mention the subject to others.

2. *Don't step on anybody's tender toes.* Naturally, every department manager is, to some extent, jealous of his authority, prerogatives, and responsibility. If you are correcting complaints or errors, do not accuse the other departments of being lax, careless, slow, or inefficient. Do not put another department manager in a position where he is forced to oppose your plan just to save face.

3. *Don't minimize the other fellow's contribution.* It is better to grant that the other fellow has problems, too, and to prove that you understand and sympathize with him. Give him fullest credit, and show you have confidence in his ability to help put the plan into action.

4. *Prepare a schedule or timetable* Most plans fail because everybody waits for somebody else to act. Arrange the plan in logical sequence. Break down each part of it, set a date for completion of each step, and decide and get agreement on who is responsible for what. Encourage different people to meet with each other informally to check progress. Decide when the next get-together should be held, or when the next report is due.

5. *Agree upon a coordinator or "follow-upper."* If more than three people are involved in any project of any kind, anywhere, one of them will be late in doing his share of the work. No two people operate at the same tempo; no two people seem able to keep time with each other without some prompting, follow-up, or coordinating by another party.

Also, allow for delays, such as obtaining outside help.

6. *Keep a record of what is said and done.* Any agreement, any schedule, any joint plan will be misunderstood by some men. If it is not misunderstood, it may be forgotten. The only way to avoid mix-ups is to make a written record.

7. *Give each man involved a special motive.* Do not expect other men to break their necks just because you are enthusiastic about a plan. Work out a method in advance which shows every man involved how it will improve his position in the organization to do what you want done.

8. *Bring proof that your plan benefits the company.* Base every proposal on the sound ground that it is for the benefit of

the company as a whole. If your proposal is actually of company-wide benefit, and you can prove it, half the battle is won. But if it seems to favor your department too much, rest assured somebody will throw in a wrench.

9. *Anticipate objections.* Go over the common objections and work out the answers in advance. No matter how enthusiastic you may be, somebody will hurl a bucket of cold water on your plan, even if only to test your zeal. Be prepared for it, and do not act hurt or disappointed when a fellow executive seems to be somewhat less than bubbling with enthusiasm for your project.

10. *Expect and be prepared for a compromise.* Do not scorn other people's ideas, suggestions, or proposals. Fight for your own ideas with all the zeal at your command, but always remember the other fellow may have something on the ball, too. Remember to be generous in giving credit to your associates. The more credit you give them, the more they will give you.

—EUGENE WHITMORE in *American Business.*

How to Get Meetings Started on Time

SEVEN WAYS to make sure a meeting gets under way at the scheduled time are set forth in a manual published recently by the Hotel Management Association. Here they are:

1. Advise the participants that meetings will start punctually.
2. Start them at the announced time.
3. Stay on schedule.
4. Stimulate interest immediately.
5. Use your big-name speakers first.
6. When practicable, serve breakfast to delegates.
7. Avoid conflict between social events and the regular program.

Sessions can be kept from sagging by limiting the number of formal speeches, and by providing occasional breaks. Only professional speakers should talk more than 30 minutes, the manual advises, and all speeches should be written in advance. The audience should be given every opportunity to participate, and visual aids should be used.

—*World Convention Dates* 9/53

What Price "Security"?

THE FELLOW in jail has a guaranteed job. He is also guaranteed a fixed annual "wage." He is guaranteed food and shelter. If he is in for life, he is guaranteed an old-age pension.

People who want everything "guaranteed" in this world have to take the surrender of freedom that goes with it. The only organization that can "guarantee" is the government, and the only way the government can guarantee is to put us all in a virtual chain gang and divide the crops.

Personally, I'll take freedom and the risks that go with it.

—DON HEROLD

BASIC RESEARCH: WILL INDUSTRY TAKE OVER?

EVEN though private industry does more than two-thirds of the nation's research, the Federal Government is still paying the bulk of the bill. But the gap is closing fast. Within two years, private industry, which is now financing 47 per cent of research work in the U. S., will probably be spending more than the government.

There's another major change on the way, too. Decreases in federal budgets are being felt first in basic—rather than applied—research projects. Industry, on the other hand, is putting more and more emphasis on the basic sciences. Thus, in a few years, industry, instead of government (which is doing about 23 per cent of all research) or colleges (7 per cent) may be the major haven for the scientist interested in basic research—the type of research that seeks information for information's sake, rather than for practical applications.

This increase in basic research by industry heeds a warning expressed in the past few years by most major scientific groups which have felt that the U. S. is putting too great an emphasis on practical, dollar-value research and not enough on the basic studies, from which all practical applications must be born.

Until recently, only a few large companies had any sizable amount of money invested in non-applied research. But the warnings of scientists and the government's cutback in research budgeting have now apparently changed industry's mind.

Many of the new research laboratories springing up around the country will have large sections devoted to basic research—and existing labs are expanding their basic studies.

While industry is expanding basic research, colleges are going the other way. As the government puts less and less emphasis on basic studies, the field's attraction for colleges is lessening—and the new emphasis in Washington on applied research and development will undoubtedly accelerate this trend.

The growing emphasis on applied science in colleges is one of many things that worry Dr. Alan T. Waterman, director of the National Science Foundation, who is charged with handling government support for basic research. Many applied projects, he says, could be handled better by industry.

Some of the industries that are showing the growing interest in basic research are increasing their grants to colleges and helping to support new college research groups. There are several areas of research that seem to belong strictly to colleges—and these areas are particularly important to business. Among them are the fields of mathematics research for improved management techniques, business research, and industrial economics. The colleges also hold a relative monoply on the wide field of social research.

While the growing interest right now is in basic research, industry hasn't dropped any of its applied or development work. Many big companies—among them General Motors, Westinghouse Electric, the Owens-Illinois Glass Co., and the Pittsburgh Plate Glass Co.—have announced plans to expand research facilities. Although big sections of most of these laboratories will be devoted to basic work, applied research and product development will still receive major emphasis.

—*Business Week*, September 12, 1953, p. 81:3.

WINNING COMMUNITY ACCEPTANCE FOR YOUR PLANT

A CLEVELAND manufacturing firm which met stiff opposition to its plan to erect a factory next to a residential area has turned opposition into enthusiastic support by blending the factory into the neighborhood and making the residents a part of its plans.

Instead of pushing its way onto the plant site, as it could legally have done, Reliance Electric & Engineering Company spent large amounts of time and money to win community acceptance. It made promises and kept them. As a result, the plant and the homes today exist contentedly side by side.

Back in 1951, Reliance announced that it had bought a 62-acre tract in suburban Euclid, and intended building a $1.8 million factory on the location, which backed up against an attractive middle-class residential district. The homeowners—who were stunned by the news—protested to city officials, wrote letters to anybody they thought could help, and alerted their property owners' association for a legal battle.

Reliance remained calm but started a program aimed at dispelling the homeowners' fears.

For more than a month and a half company representatives met frequently with the residents to try to solve their differences. They took some of them on a tour of Reliance's Cleveland plant to show them exactly what kind of manufacturing would be done at Euclid. It was light manufacturing, they explained, which would not interfere with quiet, safe suburban living.

They showed the homeowners detailed plans of the contemplated building, which included engineering and office space. They met with Euclid's mayor and city council, and held joint meetings with city officials and residents.

Soon, the neighbors' opposition began to melt. Many of their fears, they realized, were groundless. In addition, the company had promised to arrange the plant on the site in a manner to make it least objectionable to the residents, to build a 3½-acre "buffer zone" of grass and trees between the plant and the homes, and to move the roadway into the plant farther away from the houses.

Reliance carried out these pledges by moving its manufacturing operations to the side of the plant away from the houses, moving the roadway 54 feet farther away from the homes, and moving the plant itself 150 feet farther away. To make the "buffer zone," it filled in low spots, grading the land to make it level with the backyards of the adjacent houses. Several hundred thousand cubic yards of dirt fill were required.

As a result, all of the 20-odd neighbors have a broad, well-kept park, maintained by the company, blending into their backyards. This 120 x 1,000-foot play area, completely fenced off from the plant, is reserved for their exclusive use.

"We spent around $10,000 to make the park," says the company's secretary, "and we are convinced it was well worth it."

What do the residents think of it? The secretary of the neighborhood property owners' association says nearly all the homeowners are "very happy about it." Another backyard neighbor said: "You've got to give Reliance credit; they bent over backwards to do things for us. There was quite a riot raised when we first heard about the plant, but now we're all pleased."

—THOMAS F. DRISCOLL in the *Peoria* (Ill.) *Journal.*

"Listen, Boss . . ." (The New Employee Speaks)

YOU'VE HIRED ME—and now I get training to help me be worth more to your business than my pay. Brief me on your organization. Introduce me to all these strange people, my new associates, and thoroughly explain my first assignment. Boss, make my first impressions good—be thorough and sincere. And ask me to change my impressions to convictions on my own judgment—later.

Now put me to work. It's the first *real* job I ever had and the most important in the world to me. Check me occasionally to answer my stupid questions. About this time I realize that a college sheepskin doesn't guarantee success—I realize my seeming worthlessness, and I'm afraid you'll find it out. Praise on some little point is necessary right now because my confidence is at an all-time low. Boss, "P" fits "raise" almost as well as "$."

During this time older men are giving the beginners intensive lectures in company policies and organization, training us in special skills, and briefing us on the things we'll need to know to function most effectively in our new jobs. The benefits we derive from these classes depend on the competency and sincerity of your instructors. Give us the best training you can—because well-trained, competent men are your biggest asset, the backbone and most of the appendages of your business—and worth far more than your physical plant. Give us the best you can, and we will give you the highest return on this, your business investment.

Remember, however, that we learn best by *doing*. Claude Hopkins claimed 70 years' experience after only 35 because he worked twice as hard as anyone else. Take this hint, Boss, and pile on the work. A hard-working man hasn't time to be unhappy—and the beginner wants to start making a profit for you before you expect it.

After the class work, I begin considering your business as my business, too. Now put me on a different and more challenging job—maybe before I think I'm ready. Force responsibility on me and let me sink or swim. If I rise above the responsibility, you've developed a good man and can congratulate yourself on doing the *world's most difficult job*.

Boss, there's more difference between your trainees than their fingerprints. Machines are only similar—it is mathematically and physically impossible to have even two identical ball bearings—and you'll agree man is infinitely more complex. Treat us as individuals—make friends with us as individuals and treat our problems separately. You have a big job cut out for you.

"I don't have time for all that," you say. You'd better find time. Be smart, Boss, spend your time with and for your men. Respect them, fight for them, do everything in your power to make them rich in experience and money.

Teach us everything *you* know, let's learn more *together*, treat us as individuals —and we will be inexperienced in only one thing—finding *new* jobs.

—JOHN C. BOYTER in a speech reprinted in *Printers' Ink*, Vol. 242, No. 6.

THE AMERICAN ECONOMY today is the most liquid economy the world has ever seen. The cash and equivalent assets of the people of the U. S. totaled about $195 billion at the end of 1952. This is enough money to: (1) pay off all outstanding consumer credit; (2) pay cash for the entire output of the automobile industry for the year 1953; (3) pay cash for all the homes that are to be built in the U. S. in 1953; (4) buy all the listed securities on the New York Stock Exchange at current market prices; and then there would be $29 billion left over.

—WILLIAM BALDERSTON (President of Philco Corp.)

Also Recommended • • •

BIDDING FOR EXECUTIVES IS LIVELY, HIGH. *Business Week* (330 West 42 Street, New York 36, N. Y.), September 26, 1953. 25 cents. Along with the post-war expansion of business, which has created more openings for executives in the upper salary brackets, the fear of tighter markets is making many companies eager to locate higher-quality men, particularly in engineering and sales management, this article points out—but as their offers become increasingly generous, prospective candidates are growing more exacting in their specifications as to the amount and type of compensation they require. Numerous examples are cited here of companies which have had difficulty finding the right man for positions paying as much as $125,000 annually.

ARE CITIES PASSE? By Morrison Colladay. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), October, 1953. 20 cents. Businesses are increasingly finding it so unprofitable to operate in congested areas that today cities of more than 100,000 attract only one-third of the new or expanded plants, compared with one-half in 1940. If the decline of the metropolitan area is to be halted, this article asserts, pointless expansion must be replaced by a basic overhauling of city management, tax rates, and traffic conditions, and by physical reconstruction.

HOW TO COORDINATE EXECUTIVES. *Business Week* (330 West 42 Street, New York 36, N. Y.), September 12, 1953. 25 cents. Describes how advisory boards, superimposed on the operating organization, help a large manufacturer tap the specialized knowledge of top management. Case studies illustrate how the executive coordination system functions when a new product is being considered.

WANT TO SET UP A SCHOLARSHIP? By P. H. Donaldson, Jr. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), September, 1953. 35 cents. Pointing out that business organizations are underwriting an increasing share of the estimated 75,000 scholarships available to students at American colleges and universities, this article describes a number of typical company-donated scholarships and other varieties of educational grant. Whether a company sets up a scholarship to provide itself with future trained personnel or simply to support private—as opposed to tax-supported—higher education, the scholarship will best serve its purpose if it is free of unreasonable eligibility requirements and "strings," the author suggests.

THE CASE FOR MOBILIZATION PREPAREDNESS. By Melvin Anshen. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), August, 1953. 75 cents. To avoid the errors and delays of past mobilizations, a smoothly-working government-business policy must be ready to fuse men and machines into a highly efficient production apparatus, this article points out. Most critically needed at this time, the author states, is a production control system which is geared to normal industrial record-keeping practices.

SO YOU WANT TO MAKE MONEY. By Gilbert Burck. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), June, 1953. $1.25. A comparison of entrepreneurial activity vs. advancement in a corporation as means for "making a lot of money fast." Pointing out that the chances of reaching quick wealth by either route are mathematically small, the author concludes that the outlook is somewhat more promising for the independent entrepreneur, since he is less hampered by high taxes and slow promotion than is the corporation executive.

WHAT SHOULD MANAGEMENT EXPECT OF SHARE OWNERS? By Sam Shulsky. *Exchange* (11 Wall Street, New York 5, N. Y.), August, 1953. 10 cents. This article reports the results of a survey which was conducted to discover the responsibilities management feels the stockholder should assume. The general pattern of responses indicated that the share owner is expected to support legislation favorable to the company, uphold the free enterprise system, and offer constructive suggestions to management.

HOW TO ANALYZE AN ANNUAL REPORT. *Modern Industry* (99 Church Street, New York 8, N. Y.), Vol. 25, No. 5. 50 cents. This helpful primer for non-financial executives shows how key questions about a company's business operations and the quality of its management can be answered by studying the relationship of various items that appear on the financial statement. The use of a number of simple ratios and rules-of-thumb is explained, with specific examples drawn from a typical financial report.

Industrial Relations

THE CHANGING GEOGRAPHY OF AMERICAN JOBS

ONE of the most important factors influencing labor market trends—and one of the most difficult to assess—centers about the changes in the location of jobs in the U. S. Millions of new as well as more experienced workers and their families have moved from place to place during the past 12 years or so, many of them in response to shifting geographical patterns of employment. Geographic mobility, of course, is a prime characteristic of the career patterns of professional, technical, and skilled personnel, and the past decade of high levels of economic activity and employment has also witnessed large-scale movements among such groups as the clerical and semi-skilled.

The Bureau of Labor Statistics has recently issued data on employment for each state by major industry, by year, for the period 1939 through 1952. Here are some of the significant facts:

1. Between 1939 and 1952 the number of wage and salary workers in the non-farm sector of our economy increased by almost 60 per cent, from about 30 millions in 1939 to 48 millions in 1952. While every state and region increased its employment, the differential rates of growth among the states were striking and represent a major clue to the changing geographical job structure in the U.S.

The major areas of employment increase can be visualized best by drawing a line beginning in the state of Washington and continuing along the coast through the West, across the Southwest and Gulf and up the South Atlantic states. This great semi-circle of states rimming the border of the U. S. experienced expansions in employment, some of which were almost double the national average. Particularly significant were the increases in California and Texas, which more than doubled their employment and now account for about six million—or one out of every eight—non-farm jobs.

The New England and Middle Atlantic states experienced sharply different trends. Every state in these regions—except Connecticut, where marked gains occurred—registered employment gains which were significantly below the national average. In making this record since 1939, the New England and Middle Atlantic states were continuing previous trends.

In between these two extremes, employment gains in the East and West North Central regions were just about at the national average.

2. Between 1939 and 1952, major industry groups showed very substantial differences in their rates of increase in employment—differences which go a long way toward explaining the geographical changes. The employment increases among the major industries during this period were as follows:

Construction—120 per cent
Government—68 per cent
Manufacturing—61 per cent
Trade—55 per cent
Service—55 per cent
Transportation and Utilities—45 per cent
Finance—42 per cent
Mining—7 per cent

Construction accounted for a larger share of non-farm workers in 1952 over 1939 in 46 of the 48 states; it tripled during this period of time in six states and more than doubled in another 22 states. Shifts in manufacturing, which account for the largest single block of non-farm workers, were the major cause of the general shift of non-agricultural employment westward since 1939.

3. The various factors which generated these geographical changes during the years since 1939 were exceedingly complex and numerous, but when all the evidence is added up it certainly points to the fact that the center of non-agricultural employment in the U. S. has been and is moving westward. However, the fact remains that the concentration of industry and commerce and the concentration of jobs remain to a very significant extent in the regions and states where they had been more than a decade ago. One out of every three factory jobs in the nation is still found in the nine states of the New England and Middle Atlantic regions, and 22 per cent of the more than 10 million jobs in trade are concentrated in just three states—New York, New Jersey, and Pennsylvania.

Any assessment of the changing geographic structure of employment must therefore strike a balance between these two factors: the continued regional and state concentrations in each of the industries, tempered by the significant, yet slow, evolutionary and long-term changes in the location of employment in the United States.

—SEYMOUR L. WOLFBEIN. *Personnel and Guidance Journal*, September, 1953, p. 18:4.

CHARITY DRIVES: ONE COMPANY'S APPROACH

MANAGEMENT often protests at the extent to which it is asked for funds for campaigns and causes. In recent years, industry has sought to systematize the giving of donations by designating an executive to screen such requests and determine how worthy the cause and how large or small the bite.

While good, legitimate causes—like the community chest—need no champions at the front office, they do, at times, need ambassadors of good will at the employee level, where the request for donations is made.

The problem of reaching employees with a message that will elicit understanding, sympathy, and support is being handled with skill and intelligence by Russell Creviston, public relations chief of the Crane Company, Chicago. His approach is based on the following 10 principles—which may serve as a useful guide to other managements which have pledged company support to a fund-raising drive.

1. *Make the drive locally representative.* To secure the best results, let an in-plant campaign be representative both of management and the union, if any. If there's no union, balance off between shop and office personnel.

2. *Arrange for the committee to visit agencies.* Let the committee members make a trip to participating organizations, to see where employee-contributed fund money goes and how it's used. And photograph the trip for publication.

3. *Utilize all plant devices of com-*

munication. Most campaigns within plants are built for and aimed toward employee magazines. They should be slanted to newsletters, bulletin boards, group meetings, payroll envelopes. The committee within the plant should cover all devices.

4. *Humanize the campaign.* If "Red Feather Children" are available (this applies to community funds only, of course), attempt to bring them into the plant for a personal appearance the day the in-plant drive opens.

5. *Give some guidance as to donations.* The Chicago Community Fund issues a booklet showing what people in specific wage brackets donated last year. A picture story for the employee magazine might be built around an interview on the subject between a committee member and a plant employee.

6. *Give the appeal local neighborhood flavor.* If there is an agency in the plant neighborhood which receives support from the fund, let the company magazine's editor develop story material at this location, in order to give a local application to the campaign.

7. *Organize teams by departments.*

8. *Keep employees informed of campaign progress.* Use bulletin boards, or large, painted wall-thermometers, to keep employees posted on day-to-day developments.

9. *Give employees a final accounting.* When the campaign is finished tell employees how it came out. Compliment them on their participation.

10. *Keep employees advised of the uses of their money during the year.*

—ROBERT NEWCOMB and MARG SAMMONS. *Advertising Age*, August 24, 1953, p. 56:1.

Joint Bargaining—A Step Toward Labor Unity?

WHILE THE CHANCES for an actual amalgamation of the AFL and CIO seem remote just at present, a closely related idea—joint bargaining by affiliates of the two organizations—may be just around the corner. A number of AFL and CIO unions have recently agreed to hold joint bargaining sessions, under certain conditions, with firms at which both hold representation rights. Others, while not going this far, will seek uniform contract expiration dates, coordinate bargaining strategy, and refrain from signing agreements which would undercut the position of either group.

If the idea catches on, and if the unions back up their words with action, joint bargaining will provide employers with their first taste of what labor unity would be like.

Actually, many might not view joint bargaining as an unmitigated evil. The reasons are, first, that it would cut down on the time spent in negotiations, since bargaining with two or more unions would be carried on simultaneously; and second, that it would eliminate "whipsawing," whereby each union constantly tries to outdo prior settlements made by its rivals.

Yet it's axiomatic that unions which have agreed upon common goals and tactics can bring more pressure to bear than unions using diverse methods to reach different goals. Furthermore, common negotiations would cut the ground from under a bargaining strategy based on making uniform offers to all bargaining agents and putting them into effect for those which accept, thus increasing the pressure on the holdouts to settle.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 9/10/53

Reducing High Turnover with a Sponsor System

BY INSTALLING a sponsor system for its new employees, a New York manufacturing firm has achieved an 80-per-cent reduction in turnover during the first three months of the plan's operation.

Seasonal production, and the fact that most new employees were women with no previous work experience, had contributed to high turnover at the Olympic Radio and Television Corporation; up to 2,000 people had to be hired in order to obtain 700 who would remain. In most instances, job dissatisfaction occurred during the first week of employment.

The plan Olympic adopted was based on the selection of one or two experienced old-timers from each department as sponsors of the new employee. Chosen primarily for their ability to meet people and make them feel at home, sponsors are introduced to new employees at the outset, as a part of the hiring procedure. The sponsor escorts the new employee through the plant, explaining the contribution of each department to the total effort and pointing out the location of washrooms, company cafeteria, etc. He is also responsible for introducing the worker in his assigned department—meeting the foreman, shop steward, and other workers. During the first week of employment, the employee finds the sponsor always available to answer questions and explain company policies and benefits.

About once each month, sponsors meet with a top official of the company. Policies and procedures are discussed and ideas are swapped. Sponsors are granted personal privileges in the plant and wear an identifying badge. They soon develop a strong link with management and serve as a valuable liaison with people on the production line.

—IRVING S. KOGAN in *Management Methods* 8/53

Joint Plant Tours—A New Labor Relations Tool

A NEW APPROACH to improved industrial relations is being tried out by Benjamin F. Fairless, U. S. Steel's Chairman of the Board, and David J. McDonald, President of the CIO Steelworkers, who are making a series of joint visits to the company's major mills.

The purpose of the tour is to build better day-to-day relations. Avoiding the "mass pep rally" approach, executives will hold joint meetings with local union and management executives on their immediate problems. Other companies have already expressed interest in the project.

Multi-plant companies should consider this new development carefully. Better labor relations at the local level is the keystone to good efficient plant operation. The technique of joint tours can also be applied by single-plant companies to wipe out union-management hostility which grows up at the departmental level.

—*Labor Checklist* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) 8/5/53

THAT OLD BLACK MAGIC: An Eastern manufacturing company which made an attitude survey among its employees found that women working next to men had the highest morale in the plant while the same men had the lowest. This intimation that the rooster may be an unhappy bird has the company so puzzled it doesn't want to talk about the survey, except anonymously, until it figures out what it all means.

—*Modern Industry,* Vol 25, No. 3

WANTED: TWO MILLION APPRENTICES

ONE OF THE most frightening prospects currently facing industry is a severe shortage of skilled labor to turn out the complex machines needed for today's technology.

Far from lessening the need for such employees, automation has intensified it. It is true that a machine now can turn out a product with closer tolerances than ever before without the aid of the human hand or mind. But to build such accuracy into that machine requires more skilled labor than ever before. That is why the steady decline, year by year, in the number of industrial apprentices causes management such concern.

The average age of the journeyman today is high, and there are not enough skilled young men to replace the craftsmen who leave industry each year because of disability, retirement, or death. The over-all apprentice picture, moreover, is an extremely serious one. In 1949, there were 234,669 registered apprentices in the U. S. That number included many veterans of World War II who have since graduated or otherwise left their training. In June, 1952, the registered apprentices had decreased to 155,782; even counting those in unregistered courses, the number would be 250,000 at the most—about one-eighth the number most experts feel this country needs.

Industry, labor, and government have been aware of the need for more apprentices for many years. Over half the state governments have apprenticeship committees; in 1937, Congress passed the national apprenticeship law, commonly known as the Fitzgerald Act. Both labor and industry have cooperated with those laws in an effort to channel more of the young men into skilled occupations—but the problem remains largely unsolved.

Many executives feel that one of the basic reasons for the shortage of trainees is that boys are not properly prepared for the skilled trades. Either their high-school education lays too much emphasis on college and the white-collar jobs, or the home and other influences stress the "quick buck" too much. A young truck driver, for example, can earn $125 a week, which is considerably above an apprentice's wages—but substantially below his later pay as a skilled machinist.

Another serious aspect of the problem is reflected in the statement of officials at an Illinois plant that they won't train apprentices because they don't have enough journeymen qualified as teachers. Many of today's journeymen and supervisors must themselves be retrained before they can be entrusted with the instruction of neophytes.

Finally, too few companies have sufficient testing programs to find out if an applicant has the ability and desire to be a good journeyman. This results in the failure of too many apprentices to complete their training.

The whole problem demands aggressive and cooperative action by industry and labor. It is evident that more programs should be set up wherever feasible. Where two or more companies in an area are too small to have individual programs, they can pool their efforts and still come up with a plan which meets the standards.

Most experts on the subject agree that greater use of newspapers, radio and television commercials, and campaigns carried on in the schools and manufacturing plants would increase the number of

applicants for apprenticeship. Also, it has been pointed out that the first year of training is sometimes spent running errands and doing tasks in no way connected with the skill the trainee is to learn. If that were eliminated, the training period could be cut down and the program made more attractive without actually lowering standards. Also, by improving their working conditions, many manufacturers might attract more and better apprentices.

If your company is considering installing an apprenticeship training program, state or federal apprenticeship training agencies will help you set up a program to fit your needs and abilities and meet the minimum requirements of the Federal Committee on Apprenticeship. It is important to secure the co-operation of the labor union or your bargaining agent, because without this approval the program will not go far. And for any apprenticeship program to succeed, the whole company must really want it—from the top down.

—*Steel*, August 31, 1953, p. 29:2.

SIZING UP SUPERVISORY CANDIDATES

A PROMOTION PLACES a weighty responsibility upon the executive who confers it as well as on the recipient. Each new assignment to a supervisory post is a gamble, with efficiency and employee morale—perhaps even the firm's future prosperity—as the stakes.

An employee's past record and general ability shouldn't be the only qualifications considered in evaluating him for a promotion. In his new post, the candidate will have to measure up not only to his employer's standards but to his fellow employees' as well. Unless he can win their good will and respect, he will be unable to accomplish fully the tasks delegated to him.

Moreover, a supervisory employee who "washes out" starts his successor off under a handicap because the workers in that particular department may be prone to regard the new man as another "lemon" and be disinclined to offer him their cooperation.

The following questions may help you decide whether the person "up for promotion" is fully suited to accept the responsibilities that accompany promotion.

Is he nervous or temperamental? Regardless of the ability and initiative displayed by an individual, he will be a poor bet for a supervisory post if he sometimes lacks complete control of his emotions, or if he is given to periods of irritability. One of the prime requisites of the good manager is calmness and stability.

Is he inclined to be overbearing? Few employers will knowingly place an overbearing individual in a position of authority, but often no real effort is made to determine the personality of the prospective promotee. Every precaution should be taken to keep overbearing individuals out of supervisory positions. They can only breed trouble and discontent.

Is he tolerant? There are times when tolerance is a vital tool of the supervisory employee and lack of it a severe handicap. Nor is tolerance an asset that

can be acquired along with a promotion.

Is he enthusiastic? Ambition and energy form part of a chain which needs enthusiasm as a third link. No one can do a good job all of the time without being enthusiastic about his work. And no one can exact consistent top performance from those under him unless he can make his enthusiasm contagious. Avoid placing a listless though hard-working person in a position where he may be called upon to influence others.

Is he popular with fellow-employees? The candidate's popularity may diminish quickly after he becomes a boss, but it will be well for him to start off with as much good will as possible. While popularity does not insure efficiency, it is invariably the hallmark of a dominant personality—something most employers like to see in their junior executives.

Can he accept criticism gracefully? While he will be handing out criticism of his own, the supervisory employee will be the target for more and perhaps sterner complaints from his superiors than he could have received as a minor employee. Should he react negatively to occasional voicings of dissatisfaction from his superiors, his efficiency is likely to be impaired to the extent that he may be unable to cope with problems that subsequently arise in his department.

Does he lose his temper easily? Under no circumstances should a man or woman with a hair-trigger temper be placed in a position of authority. Besides the obvious objections to such an individual, there is the additional point that most such persons are likewise unstable in other ways and therefore poor risks for supervisory posts.

—*Trained Men* (International Correspondence Schools)

"Preventive Medicine" for Industrial Accidents

BY TREATING accidents as a medical problem, New York's Third Avenue Transit System, employing 2,000 bus operators, cut its annual accident total to less than half and saved hundreds of thousands of dollars in compensation and liability costs.

The accident prevention program that accomplished these results is built around three steps: (1) rigid pre-employment examinations, (2) expanded medical services for employees, reaching into the home and (3) regular medical checkups.

A medical "profile" is kept on every bus driver. In addition to on-the-job characteristics, it shows social, domestic and other factors that may affect his work. Periodic examinations turn up ulcers, diabetes, impaired vision, astigmatism and high and low blood pressure—which can be treated before they cause accidents, rather than after.

Accident "repeaters" get special study. One group of 156, who got consultation and retraining, reduced their accident rate 22.7 per cent in six months. Another group of 55, who got medical treatment in addition to retraining, reduced their rate 83.6 per cent in the same period.

One driver, with an excellent previous record, had three accidents in two months. Investigation disclosed that his wife was nagging him to move to the west coast. He was given a leave of absence, moved to California, and returned five weeks later saying that his wife preferred New York. He hasn't had an accident since.

—*The Medical Advance* (National Fund for Medical Education, New York) 9/53

Also Recommended • • •

LEGACIES OF THE SALARY FREEZE. By Arch Patton. *Personnel Journal* (Swarthmore, Penna.), September, 1953. 75 cents. The levelling of salaries during the period of government controls created problems that still exist today, this article observes: specifically, executive salary ranges still bear little relation to the work done or the profits contributed by management. Evaluating current compensation policies and trends in the use of such incentives as stock options, deferred compensation, profit-sharing trusts, incentive bonus plans, pensions, and expense accounts, the author warns that certain of these may tend to drive a dangerous wedge between top and middle management.

EMPLOYEE PROFILE DEVELOPMENT. By Wm. M. Stocker, Jr. *American Machinist* (330 West 42 Street, New York 36, N. Y.), June 8, 1953. 50 cents. Describes a successful program for improvement in recruitment and promotion, developed by DuMont Laboratories with the help of Rensselaer Polytechnic Institute. The author explains the use of the "employee profile," consisting of a series of key-punch cards on which is recorded information concerning the employee's abilities, background, and job performance, which permits instant location of suitable candidates when openings occur. A number of the forms used for gathering data are illustrated in the article.

NEED A SUPERVISOR TRAINING PROGRAM? By Louis A. Allen. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), May, 1953. 50 cents. An outline of the fundamentals of a supervisory development program, based on the various needs such a program may be expected to fill. The author analyzes different types of training techniques in common use, and points out that a training program should not only present information but serve as a two-way communications channel.

ARBITRATOR'S AUTHORITY IN DISCIPLINARY CASES. By Jules J. Justin. *The Arbitration Journal* (American Arbitration Association, Inc., 9 Rockefeller Plaza, New York 20, N. Y.), Vol. 8, No. 2. $1.50. When an employee is disciplined by management for a specified offense and the case is submitted to arbitration at the union's demand, does the arbitrator have the right to substitute a milder penalty than that originally imposed—or does his authority extend only to determining whether the offense was committed and whether punishment was warranted? This article reviews the case for the broader concept of the arbitrator's role, citing a number of recent court decisions which support it.

HOW TO TELL YOUR BUSINESS STORY IN EMPLOYEE PUBLICATIONS. Chamber of Commerce of the United States (Washington 6, D. C.). 25 cents. The basic principles of editing a house organ are explained in this booklet, which is illustrated with a wide selection of noteworthy articles from representative company publications showing how effective make-up, lively writing, and interesting pictures can do the job of interpreting, promoting cooperation and loyalty, building community good will, and educating employees in the fundamentals of economics.

THE PUBLIC EMPLOYMENT SERVICE SYSTEM, 1933-1953. *Employment Security Review* (Superintendent of Documents, Government Printing Office, Washington 25, D. C.), June, 1953. 20 cents. This special issue is devoted to an historical outline of the public employment services established under the Wagner-Peyser Act of 1933. It offers a comprehensive discussion and interpretation of the various operations of the Federal Government in the employment field which have been developed in response to such social exigencies as depression, war, and an expanding economy.

LABOUR TURNOVER. By J. Stewart Choate. *Personnel Management* (Management House, Hill Street, London, W.1., England), June, 1953. 4s. 6d. Demonstrating the misleading character of some systems of computing labor turnover, this article explains a graphic method designed to avoid serious pitfalls. The author shows how the use of moving monthly averages and moving annual totals produce figures accurate for the month as well as for the year.

TREAT YOUR OFF HOURS RIGHT. *Changing Times* (1729 H Street, N.W., Washington 6, D. C.), August, 1953. 50 cents. Even before retirement, most working people have 22 per cent of the year free—and the workweek is steadily shrinking, this article points out. Leisure-time pursuits which require active participation and the expenditure of energy are more productive of happiness and long life than passive recreation and many hobbies taken up for "fun," it states.

PREVENTING OFFICE ACCIDENTS

OFFICE WORKERS too frequently incline to the belief that safety is something that applies only to the manufacturing, transportation and similar areas of an organization.

Actually, office accident ratios are enough to make insurance underwriters wince. And—as the Federal Interdepartmental Safety Council of the U. S. Department of Commerce has pointed out—although insurance or workmen's compensation may pay the direct costs of an injury, the indirect costs of lost time and production are a complete loss to the business. Indirect costs, the Council points out, usually are four times as great as direct costs. The moral is obvious: It is sound business to prevent office accidents.

It is admittedly hard for safety directors to cope directly with office accident-prevention problems. Guards cannot be placed on desk drawers or file cabinets as they can on punch presses or conveyor lines. Consequently, it is up to office workers to "think safety" and to remember to be careful. The office manager or the company safety director can do his or her part by waging a continuous campaign to promote safety.

Office accidents are not always minor. To reach the upper shelves in one office stockroom required the use of a 14-foot ladder, which could be moved on a runner from one end of the room to the other. There had been several "almost-accidents" in connection with that ladder, but a young woman had to fall off and incur a serious spinal injury before someone took steps to install a safety-belt which made it difficult for anyone to fall backwards while reaching for the shelves.

The Federal Interdepartmental Safety Council has prepared a checklist for locating and preventing physical hazards in offices. This list, with some revisions and additions, is reproduced below as a guide for the elimination of accident hazards in offices where safety-consciousness is not prevalent:

POTENTIAL DANGER POINTS:

1. Tripping, slipping and falling hazards:
   a. Floors and stairways:
      (1) Highly polished surfaces
      (2) Unanchored rugs
      (3) Torn or loose coverings
      (4) Rough, splintered surfaces
      (5) Handrails
      (6) Illumination
   b. Projecting outlets
   c. Extension cords
   d. Ladders
   e. Wastebaskets
2. Hazards from falling objects:
   a. Lockers and shelves
   b. Ceiling and lighting fixtures
   c. Loose plaster
   d. Poorly-stacked materials
3. Equipment hazards:
   a. Office machines
      (1) Unguarded moving parts
      (2) Exposed wiring cords and switches
   b. Plumbing Fixtures
   c. Furniture
   d. Mail carts and dollies
   e. Glass-top desks

f. Waste-paper baskets
g. Electric fans

4. Collision and obstruction hazards:
   a. Aisle obstructions
   b. Protruding valves and pipes
   c. Pencil sharpeners
   d. Open desk and file-cabinet drawers
5. Fire and panic hazards:
   a. Disposal of paper and waste
   b. Safety cans for inflammable materials
   c. Disposal facilities for smokers
   d. Fire escapes and exits:
      (1) Aisles
      (2) Exits
      (3) Doors
      (4) Signs and lights
   e. Fire protective equipment
      (1) Accessibility
      (2) Working order
6. Other hazards:
   a. Working space:
      (1) Sanitary conditions
      (2) Arrangement of desks, tables, etc.
      (3) Aisle width
   b. Ventilation
   c. Storage of poisonous substances

ANTI-HAZARD EDUCATION:
   a. Bulletin board posters and notices
   b. Printed matter (National or local Safety Council)
   c. Emphasis in house organ, if any
   d. Free films or general meetings
   e. Awards for individuals or departments.

—T. J. McINERY. *The Office Economist* (Art Metal Construction Company, 369 Broadway, New York 13, N. Y.).

SETTING STANDARDS FOR CLERICAL PERFORMANCE

STANDARDS of performance in office operations have a definite place as a guide for establishing essential manpower and maintaining it at a level consistent with the actual needs of the business. The volume of work performed should be measured in terms of units; this would cover orders from customers, invoices processed, checks drawn, employees on the payroll, billings, cylinders transcribed or letters written, postings to stock records, and similar repetitive and routine functions.

Exhibit I shows an actual example of the establishment of manpower on the basis of volume of units. It was determined from actual testing, manpower logs, and experience that the units established were reasonable for the systems and procedures in effect.

For example, it was learned that one employee could process 9,000 payments of bills over the counter in one month. Since an analysis indicated only 2,560 counter calls monthly for payment of bills, the manpower recommended was 28.6 per cent of one employee's available time.

Other factors such as supervision, nonmeasured functions, and relief were added in order to obtain total clerical manpower. The first district shown in Exhibit I would require 4.6 employees, or 5—as was actually established.

Standards should be checked continually and adjusted to meet the development of improved systems and procedures, and to bring manpower into line with the volume of work.

Manpower standards for typing, stenographic, and filing activities are shown in

DISTRICT OFFICES
MANPOWER ASSIGNMENT BASED ON STANDARDS OF PERFORMANCE

FUNCTION	MONTHLY FACTOR PER MANPOWER	DISTRICT 1		DISTRICT 2		DISTRICT 3		DISTRICT 4	
		UNITS MONTHLY	MANPOWER %	UNITS MONTHLY	MANPOWER %	UNITS MONTHLY	MANPOWER %	UNITS MONTHLY	MANPOWER %
HEAD CLERK									
Supervision			15.0		15.0		15.0		75.0
Assistance to District Manager	15 %		15.0		15.0		15.0		15.0
Banking									
Daily Summary of Collections	55,000	7,200	13.1	3,400	6.2	4,100	7.4	18,923	34.4
Petty Cash	1,000	30	3.0	30	3.0	30	3.0	60	6.0
Pay Station Accounts	36,000	190	.5	305	.8	977	2.7	2,466	6.9
Collection Agency Assignments	300	30	10.0	19	6.3	35	11.7	22	7.3
Journal Entry Recap	36,000	239	.7	200	.6	187	.5	501	1.4
Preliminary Surveys	200	26	13.1	5	2.5	17	8.5	42	21.0
			70.4		49.4		63.8		167.0
COUNTER SERVICE									
Calls at Counter									
Payments	9,000	2,560	28.6	1,960	21.7	1,740	19.4	8,396	93.3
Other	3,000	565	17.8	174	5.8	152	5.1	1,523	50.7
Balancing Accounts									
Payments	18,000	7,200	40.0	3,400	18.9	4,100	22.7	18,923	105.1
Other District Payments	1,800	50	2.8	25	1.4	17	.9	490	27.2
Accounts to Suspense	1,800	15	.8	15	.8	8	.4	66	3.7
Collection	1,800	435	24.2	205	11.4	247	13.8	1,370	76.1
Telephone	4,550	1,390	30.5	370	8.2	479	10.5	2,762	60.7
			144.7		68.2		72.8		416.8
ACCOUNTS RECEIVABLE	17,000	10,000	59.0	4,700	27.7	5,700	33.5	24,000	141.2
METER RECORDS									
Application for Service	1,200	560	46.6	310	25.8	295	24.7	1,535	127.9
Closing Bills	1,800	208	11.6	85	4.7	78	4.3	315	17.5
			58.2		30.5		29.0		145.4
TYPING, FILING, MAIL PROCESSING									
Typing	450	80	17.8	40	8.9	40	8.9	270	60.0
Filing	7,600	200	2.6	100	1.3	100	1.3	1,140	15.0
Mail Processing	18,000	400	2.2	200	1.1	200	1.1	4,500	25.0
			22.6		11.3		11.3		100.0
TOTAL CLERICAL (85% of Total Functions)			354.9		187.1		210.4		970.4
Non-Measured Functions	15 %		62.6		33.0		37.1		171.2
Relief	11.5%		48.0		25.3		28.5		131.3
GRAND TOTAL CLERICAL			465.5		245.4		276.0		1,272.9

EXHIBIT 1

Manpower Allocation Based on Application of Performance Standards

PERFORMANCE STANDARDS
STENOGRAPHER-TYPIST and FILE CLERK

		Hours	Minutes	%
1.	Total Hours Paid For: (Daily)	8	480	100
	Total Hours Allowance: (Daily)	1	60	12.5
	Total Net Productive Hours: (Daily)	7	420	87.5

LINES

2. 30 Lines Per Letter: Dictated and Transcribed
   30 Lines Per Letter: Straight Copy

LETTERS

3. Production (Net Production Time) - in Seven (7) Hours, or 420 Minutes:
   Dictated and Transcribed Letters (30 lines each) = 10-1/2 letters, or Straight Copy Work (30 lines each) = 21 letters

TIME STUDY ANALYSIS

4. Fifteen (15) Minutes Average Dictation Time for 30-Line Letter
   Twenty-Five (25) Minutes Average Transcription Time for 30-Line Letter
   Twenty (20) Minutes Average Copy Time for 30-Line Letter

AVERAGE DAILY TIME

5. Net Production Time: Seven (7) Hours, or 420 Minutes:
   Minutes Per Dictated Letter (40) = 10-1/2 - 30-Line Letters in Seven (7) Hours
   Minutes Per Copied Letter (20) = 21 - 30-Line Letters in Seven (7) Hours

Note: Typing time to transcribe a full page or equivalent from voicewriting machine cylinders or records is figured at 20 minutes per letter. The average cylinder contains approximately 120 lines of typing. The number of cylinders completed per day should total 7 or more.
In general, stenographers spend 65% of productive time on dictation and transcription and 35% on typing from copy or manuscript, resulting in a combined total production of 13 full pages per day.

FILING

6. (a) Fifty (50) Units of Mail Per Hour using a numerical file system is the average and includes General File upkeep.
   (b) One hundred fifty (150) Units of Mail Per Hour, filing alphabetically, is the average and includes General File upkeep.

These production standards are based on the results of numerous surveys of stenographic work and represent actual production of stenographers having average ability.

CODE ARRANGEMENT:

Have steno or typist place initials on copy.
Use "T" for transcribing from longhand material or typed copy.
Use "D" for dictated letters.
Use "V" for voicewriting machine.
Make notation on working paper describing material typed if not practical to make copy such as contracts, complicated statements, and legal documents.
Show typing time on each letter or typed material.

EXHIBIT 2
Work Performance Standards—Typing and Filing

Exhibit II. Before establishing the basic monthly units for applying standards for these activities (as developed in Exhibit I), it was necessary to analyze written copy work and files in order to reduce the work to essential requirements.

The following checklist will apply to the analysis of correspondence:

1. Use of longhand memoranda to greatest extent possible in inter-company correspondence, particularly in the cases where many copies are not needed and letters are not lengthy.

2. Use of "send to" tags attached to original letter or notations on original copy of letter.

3. Use of form letters to avoid repetitive writing of the same information.

4. Elimination of needless words and phrases in letters.

5. Elimination of retyping of letters by improved dictation.

   a. Careful study of correspondence before dictating letters.

   b. Training those dictating in better dictating habits and procedures, and in writing better letters with fewer words.

6. Use of verbal instructions or notes where possible, when a letter record is not required.

7. Use of the trace slip instead of writing tracer letters on intra-company matters.

—JOSEPH W. LUCAS *et al. More Profit—Less Paper: Through Work Simplification* (Standard Oil Company of California).

A New Guide to Clerical Work Simplification

NO HUMAN ACTIVITY except warfare has been "so utterly wasteful of material, time, and labor as that witnessed in the world's countinghouses," in the opinion of L. L. Purkey, chief organizational expert of the Standard Oil Company of California. Frequently, he believes, as much as one-half of all paperwork falls into the following categories:

Duplicated records made and maintained in the same organization;

In case records to establish future claims of accomplishment or in anticipation of questions never asked;

Excessive analyses and statistics employed as substitutes for individual courage and sound judgment;

Poorly designed records which are basically necessary but are encumbered with extraneous and costly information of little use to anyone;

Information assembled to satisfy technical curiosity but having no practical value.

Office executives who have decided that the paperwork problem in their companies calls for a frontal attack rather than piecemeal remedial measures will find a useful guide to strategy in a recent Standard Oil publication, *More Profit—Less Paper*, from which the preceding article was drawn. This fact-packed booklet provides a step-by-step plan for the analysis of office operations, the elimination of non-essential manpower, and the development of more efficient work methods. The 59-page booklet includes numerous charts, sample forms, and other illustrations of considerable practical value—drawn, like the accompanying text, from the accumulated experience of Standard Oil's Department on Organization.

Single copies of the booklet may be obtained without charge from the Department on Organization, Standard Oil Company of California, Standard Oil Building, San Francisco 20, Calif.

HIGH-SCHOOL RECRUITMENT CAN PAY OFF!

ONE DAY LAST SPRING a group of 150 seniors from high schools throughout the New York metropolitan area converged on the Chase National Bank, and reported to the Personnel Department. Their names were placed on the payroll, and they became Chase Bank employees —employees for only two hours a day, two days a week, but nevertheless staff members already started on a banking career.

They were a picked group, a selection of approximately one-third of the students interviewed in the preceding months for part-time jobs with the bank before graduation. If statistics from the previous high school student programs held true, between 75 and 85 per cent of them would become permanent employees of the bank after their graduation.

Chase's selective recruitment scheme for high school seniors is the most recent development in a long-standing program of interesting high-school seniors in a career with the bank. By offering jobs to students before they leave high school and are thrown on the job market, Chase manages to recruit promising employees early, and has 12 weeks in which to convince them that the bank is a good place in which to work. The percentage who become permanent employees following graduation is proof of the effectiveness of the system.

The Chase high-school program combines good public relations with recruitment. Speakers who are sent out by the bank to address high-school groups may talk on such varied subjects as how to be successful in a business career, how to behave in a job interview, how to go about selecting the right job. At other times, they will describe the kinds of jobs available at Chase, the benefits of working there, and the high school training program—which makes it possible for a student to learn before leaving school whether banking, in any of its phases, is the type of work that interests him. Individual interviews with students at the schools are also carried on, and there is a close and cooperative relationship with high-school principals and guidance counselors.

Twice a year (New York City high schools graduate two classes a year: one in January and one in June) the bank begins intensive interviews with high-school students interested in working two afternoons a week for the 12 weeks immediately preceding their graduation.

Special appeals are directed to full-time Chase employees (who are responsible for introducing an average of 35 per cent of all new Chase employees to the bank) to recommend the part-time program to any high school seniors they know who appear to be promising material. The appeal to employees is carried through office memos and display cards on bulletin boards.

As the students come in for interviews (which are held every week day and on four successive Saturdays through the active recruitment period) groups which notify Chase in advance are taken through the bank, where the proceedings of each department and the types of work open in that department are explained. Then, students who feel they would like to try working for the bank are interviewed. Approximately three of every ten applying are selected for the part-time program, and a reporting date is given to the group selected—some time

in October for January graduates, a date in March for June graduates. Final papers are completed when the students report, and they are then taken to the various departments to which they have been assigned.

The students work from four to six, two afternoons each week. The actual work experience is supplemented by staff lectures on various phases of banking and business procedures. Individual student assignments within departments are made on the basis of the students' ability and previous training. Those already qualified in stenography and typing are assigned to stenographic jobs; if their speed and accuracy are not up to Chase standards, they may attend training classes at the bank. Potential bookkeepers are similarly given bookkeeping training in classes at the bank.

After the students graduate from school and become full-time Chase employees, many of them entering specialized work are sent to training schools maintained by the bank.

—Robert M. Smith. *Office Management*, June, 1953, p. 40:4.

TRAINING FOR CLERICAL ACCURACY

When clerical employees make excessive errors in recording, posting, auditing, punctuation, spelling, or computing, and when normal efforts to correct the situation have failed, what is management to do?

This was the problem that confronted Michigan Civil Service Commission. The solution that was finally devised was a series of training devices and exercises which, in short, concentrated sessions, provided small groups of employees with repetitive practice that fixed clerical patterns in the trainees' minds so that the recognition and correction of mistakes became habitual.

The initial step of the program involves a dramatic presentation illustrating the effects of clerical mistakes in a group operation. A skit of this kind serves as an ideal "icebreaker" and gets the training program off to a good start. It also gives a *positive* basis for discussing the value of accuracy, with the trainees rather than the trainer dominating the discussion.

The next three or four training sessions should be devoted to role-playing episodes in which the trainees spontaneously participate. Incidents should be carefully selected to illustrate both the value of accuracy and the harm done by error.

The third group of training sessions (from three to five periods) should deal with the graphic presentation of common clerical errors which the employee is expected to locate. At this stage of the training, we believe better results can be obtained by projecting the forms or cards on a screen than by placing the materials in the hands of the trainee.

Two cautions are needed at this point: (1) Concentrate on a few significant errors rather than scattering your effort aimlessly, and (2) don't permit the more aggressive employees to locate all the errors while their slower-thinking associates sit by in silent frustration.

Only after using graphic presentation do we suggest the distribution and manual use of forms which illustrate various kinds

of error. The same form is distributed to each trainee. We begin with one item incorrectly inserted on an otherwise correctly completed document, then move on to forms containing two or three hidden errors, and finally build up to four or five (the maximum) mistakes on a single form, card, or document. The trainees now work as individuals and each locates and corrects his own errors. But a group discussion of the nature of the error, what causes it, and how it can be avoided or caught and corrected is still an important part of the training process.

The final step is the preparation and use of training tests which include variations from an accepted pattern of clerical procedure. The trainee should experiment with these tests until he can automatically catch any deviation from the correct clerical pattern. Training test exercises should, of course, be based on the clerical operation in which improved accuracy is desired.

—CHARLES S. WEBER. *The Journal of Industrial Training*, July-August, 1953, p. 14:3.

How Not to Apply for a Job—A Survey of Management Opinion

TO GATHER DATA on industries' opinions regarding successful job application techniques, a survey was made recently of the views of 178 personnel directors and employment managers. These executives were asked, among other things, what they felt were the most common faults of applicants when applying for a job. Here are their conclusions:

1. Applicants' failure to know what they are applying for, coupled with insufficient knowledge of job classifications.
2. An unrealistic appraisal of one's worth, an "I can do anything" attitude. Overselling oneself without ability to back it up.
3. No personal-history record readily available. If available, it is usually incomplete and sketchy.
4. Lack of proper grooming.
5. Insufficient knowledge of the nature of the business firm in which the applicant is seeking employment.
6. A lack of poise and self-confidence.
7. Nervousness and fear.
8. Inability to complete application form properly.
9. Inability to express self orally.
10. An overly relaxed, indifferent attitude.
11. Discussing wages too soon.
12. Displaying too much interest in security and "fringe benefits."

—H. D. JANES in *A Survey of Industries' Opinions on How To Apply for a Job*. University of Miami Press, 1952. 36 pages. $1.00. Copies available from H. D. Janes, Personnel Manager, The Wadsworth Watch Case Co., Dayton, Ky.

MORE WOMEN left hearth and home to work last year than ever before in the country's history. The Mutual Life Insurance Company of New York reports that 18,902,000 females, young and old, worked in business, industry, and agriculture in 1952. This topped the wartime peak of 18,850,000 women employed.

—*Commerce*, Vol. 50, No. 2

Also Recommended • • •

THE INTEGRATED OFFICE. (Management Magazines, 141 East 44 Street, New York 17, N. Y.), Fall, 1953. $2.00. This compilation of articles on how planning and integrated layout can be used to cut office overhead covers such topics as lighting, space division, air conditioning, traffic control, reception areas, and in-office feeding; and contains a series of questions and answers on the use of planning consultants. Proper illumination yields a greater return than any other single factor in office planning, the article on lighting states.

THE TRUTH ABOUT ELECTRONIC BUSINESS MACHINES. By Herbert O. Brayer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1953. 35 cents. It will be at least three to five years before mass production of electronic accounting and bookkeeping equipment at a reasonable price can be achieved—and even then the "low cost" systems will be expensive, this detailed account of the activities of the business-machine companies predicts. Moreover, says the author, widespread standardization of terms, data, and recording systems will be required before "robot brains" can give maximum results.

EXIT INTERVIEWS CAN CUT DOWN EXITS. By Walter A. Klienschrod. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), May, 1953. 25 cents. Emphasizing the value of the exit interview as a check on the success of a company's other personnel practices and policies, this article describes exit-interview techniques in use by representative companies and federal agencies, with particular attention to the range of topics discussed, the length of the interview, and the use of questionnaires.

COMMON PROBLEMS OF FIRST-LINE SUPERVISORS. By Paul C. Taylor. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), July, 1953. 50 cents. This article stresses the human element in first-line supervision, presenting interesting examples of such familiar problems as resistance to change, personnel selection, understanding employee complaints, and job evaluation. The close relationship between effective employee management and company success is stressed.

CUTTING THE COST OF CLERKS. By John Hockman. *Business Management* (100 Simcoe Street, Toronto 1, Ont.), July, 1953, and August, 1953. 30 cents a copy. Stressing the usefulness of applying cost accounting procedures to the task of cutting clerical costs, this two-part article divides the work into four categories: organization, combination of operations, simplification and standardization, and mechanization. When studying organization, for example, the office manager must recognize the need to allow people to exercise their greatest abilities, to eliminate duplicate efforts, and to stagger peak loads, the author points out.

CAN THEY BE SOLD ON MACHINE DICTATION? By Esther R. Becker and Richard L. Lawrence. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), June, 1953. 25 cents. The secretary is unlikely to fight the purchase of a dictating machine if she realizes that she can gain more responsibility by having routine tasks mechanized and that she will suffer no loss in prestige, contact with the public, or technical skills, the authors maintain.

OFFICE SEATING SECTION. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1953. 35 cents. Five articles showing that proper chairs mean more production and better morale—at a cost of only 5 to 15 cents a week per employee. The 2,600 sizes and designs of office chairs are narrowed down to five types. Proper adjustment of the furniture to meet individual needs and posture training for employees are stressed.

IMPROVE PAPER COMMUNICATION CHANNELS TO SAVE MANHOURS. By M. F. Allsman. *The Office* (270 Madison Avenue, New York 16, N. Y.), September, 1953. 25 cents. Two specific types of paperwork are examined here: communications from management, outlining policies and procedures; and reports to management on how these policies are being carried out. To simplify and cut the cost of such communications, the author recommends selective distribution and direct routing of papers to points in the organization where authority and responsibility are assigned.

Manufacturing Management

FINDING PROFIT IN THE SCRAP HEAP

A DOLLAR salvaged in scrap disposal can mean much more to your company's net profit than a dollar of new sales. One company gets $500 a month more for graded scrap than it had been getting for mixed waste, at a sorting cost of only $100. With a net profit before taxes of 5 per cent, the $400-per-month scrap improvement contributes as much to net yearly earnings as $96,000 in new sales.

The secret of profitable scrap handling is twofold: to keep the amount of scrap generated to a minimum and to get top prices for the unavoidable residue. Scrap and salvage specialists agree that companies wishing to reduce scrap should check the following possibilities:

Can the product or manufacturing process be modified to minimize waste? Sometimes a substitution, such as wire for strip, or tubing for rod, results in better utilization of material. Also, improved casting and molding processes should be investigated for parts which are now being machined; some of these methods yield almost no scrap. Finally, in-process inspection of parts by statistical quality control has cut rejects and scrap for some companies.

Can scrap be reused profitably? One company has saved thousands of dollars since it started an "official" program for utilizing waste materials within the plant. Scrapped items are inventoried as soon as they are classified as reusable, and the list is given to the storekeepers so that material won't be purchased outside if the waste items will do.

Another company discovered one year's sheet-metal waste could be used to stamp 300 tons of small parts, the material for which had previously been purchased from an outside supplier.

Even well-managed companies sometimes throw away tools that could be easily reclaimed. In one year the Chrysler Corporation diverted 100,000 worn-out screw drivers, drills, and cutting tools from the scrap pile for reconditioning.

Many firms, especially small ones, have discovered they can benefit from checking the new services offered by some metals warehouses, which can convert obsolete inventory into usable metal by rolling, slitting, shearing, or annealing.

Several companies have found big savings in using containers and packing materials salvaged from incoming shipments. Thus many firms have simply painted over the printed matter and reused suppliers' cartons to send their goods to dealers and warehouses.

3. *Could waste materials be turned into a new sideline?* A maker of industrial leather packing and transmission belting is now putting his scrap leather to profitable use in junior-size baseball gloves, footballs, boxing gloves, and cowboy holsters.

Obviously, the conversion of waste into profitable by-products isn't always so simple. It may require extensive research before usable material can be recovered, as well as advice on production and salvage problems from outside organizations. But if you get an idea, it's worth explor-

ing on the chance of hitting a jackpot.

To get top prices for scrap, all plants, even those with well-organized disposal systems, must review scrap collection and handling periodically in the light of new markets, new uses, or the possibility of getting a higher net return. The review should cover these basic points:

1. *Segregation of scrap materials*. The simplest and least expensive way to separate scrap is at the machine where it is produced. A proper system of segregation requires that the machine operator know exactly what material he uses. Many companies distribute material-identification cards to the machines for each job. If the material remains the same from job to job, they paint color or code markings on both the machine and scrap bin.

In dealing with waste paper and metals it is particularly important not to make the segregation too shallow. Thus steel scrap should be broken down into tool, stainless, silicon, carbon, etc.

2. *Preparation of scrap*. In marketing scrap it is not enough to know grades and prices. Market value of many materials also depends on how they are shipped—bundled, boxed, baled, briguetted, or loose—and the size of the shipping units. Slight processing—such as shearing, breaking, filtration, drying, etc.—can often boost the value.

3. *Collection and handling*. The most successful systems for handling scrap involve a minimum of labor and interference with regular production activities. Handling costs can be kept low by using mechanical equipment which is already on hand, and by scheduling scrap collections when production and warehouse demands on lift trucks, conveyors, cranes, or other handling devices are light.

Some companies have simplified scrap collection by attaching devices to cutting machines so that the scrap falls directly into a bin. Fork trucks remove the bins when they are full.

4. *Disposal*. Most waste and scrap dealers won't volunteer information on market price, demand, or grade distinction for obvious reasons, and many companies lose out because their personnel aren't thoroughly familiar with scrap markets.

Scrap can be sold by long-term contract, by bid, or by negotiation. Contracts are a good bet for disposal of uniform grades in moderate-to-heavy volume. The bid basis—a practical necessity when scrap quality varies from month to month—is sound if you circulate the request widely enough to insure a fair indication of the market. But a company can lose heavily in negotiation unless its personnel are thoroughly familiar with the complex structure of scrap grades, values, and markets.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), August 25, 1953.

THE RISE of real wages in this country over the last century, which carried the American standard of living upward to top place in the world, had many spurts and lags, but averaged between 1 and 2 per cent a year to reach a real wage level at least four times as great as that of a century ago. If economic and other factors are about as favorable as can be expected, average real hourly earnings in this country can probably rise over the next decade or two at an average approximately of 2.5 to 3 per cent a year.

—The Twentieth Century Fund

AMERICAN MANUFACTURING GOES ABROAD

OIL DERRICKS rising near the Persian Gulf offer pointed illustrations of the way U. S. capital, invested privately, is changing the world landscape.

Just as clearly, a truck assembly plant in Brazil and an abrasive factory in Italy, both built with American dollars, attest to the stimulating results produced by wise injections of ready cash. Over much of the globe, sound money from this country is being teamed with plentiful labor, an accessible market, and favorable operating conditions to bolster shaky economic systems.

Private monetary stakes in nations abroad now total more than $21 billion. Of this amount, $13.2 billion is in the direct-investment category—plants, machinery, and distribution apparatus. As outlays in this field have climbed, investments in foreign stocks and bonds have declined, currently amounting to about $4.5 billion.

During the six-year period ended in 1951, American business men added $6.5 billion to their direct investments in foreign territory. This figure comprises both new capital outflow and retained profits, the latter widely used to expand and modernize plants.

Investments in petroleum production account for $3 billion of the $6.5 billion net addition. There is steady growth in outlays for manufacturing facilities, reflecting the increasing importance of new U. S. industries. As the building materials, synthetic fibers, and chemical products industries, for example, have gained financial stature, management has opened branch facilities abroad.

The U. S. Commerce Department has figures through 1950 giving the value of direct investment in the manufacture of chemicals and allied products on foreign soil as more than $518 million. Totals for machinery, other than electrical machinery, add up to $419.9 million; for primary and fabricated metals production, $383.8 million.

Motor vehicle manufacturers have made very substantial direct outlays in 27 countries, ranging from Argentina to Australia and from Mexico to Yugoslavia. Of about a dozen manufacturing plants, four are in England and three in Canada.

Backing up these primary facilities are 103 assembly plants, 61 of them distributor-owned. An unofficial estimate puts American funds in all types of automotive plants abroad at about $500 million.

A recent report from the Office of International Trade, Commerce Department, notes that in 1951 about $150 million in American funds went into foreign mining and smelting operations alone. This amount was appreciably higher than the rate of dollar investment in the same field during the previous five years. In the opinion of OIT, the 1951 figure "is probably more representative of the annual rate for the near future."

"Large investments," according to the report, "are now in process or are contemplated in the iron ore of Canada, Venezuela, and Liberia, the bauxite, titanium, and other metals of Canada and the West Indies, the copper of Peru and Chile, the manganese of Brazil," and other materials elsewhere.

Mining and smelting in the foreign iron field has required more than $88 million in direct U. S. outlays through 1950. The total for precious-metal production is about $75 million, and for other metals approximately $862 million.

Government calculations through 1950 showed that Latin America was the site for investment of about 40 per cent of all U. S. direct private investment. Though there are currency exchange difficulties in dealing with about half the Latin states, experience thus far has worked generally to the profit of the business man with Central and South American holdings.

Western European investment at the same time accounted for 15 per cent of the U. S. total. More than half of the money involved went into manufacturing activities. The Near East and Africa have claimed about 5 per cent of American private investment capital, with four-fifths of the amount going into oil. In the Far East, patent licensing and private technical aid have outweighed dollar outlays for plants.

Four major factors, the Commerce Department says, impede greater investment by the U. S. business man: trade and currency imbalances; "economic nationalism," often characterized by tightly-held foreign government restrictions on profits; unstable factors within those governments; and "low levels of economic development," placing barriers on demand.

—*Iron Age*, September 24, 1953, p. 66:1.

The Human Element in Waste Control

EXCESSIVE SCRAP and waste in the shop may be caused by defective machines or poorly trained operators—but carelessness, poor working habits, and bad shop discipline are often at fault. Effective waste control, therefore, frequently calls for special human-relations skills on management's part. Here are three typical situations that can be corrected only if management recognizes the "human element" underlying the problem and maps its strategy accordingly:

Employees lack interest in controlling waste; they are reluctant to accept any responsibility for waste control. The solution here is threefold: (1) Appeal to reason. Display examples of waste, and point to results in terms of lost time, lost skills, and lost materials. (2) Appeal to emotions. Relate waste prevention to basic human drives: the need for recognition and approval, pride in accomplishment, the desire for security. (3) Outline responsibilities for waste control. Let each employee know what standards he is expected to meet by encouraging his participation in solving waste problems.

Wasteful habits have developed unnoticed and are difficult to change. Here, management's job is to (1) identify wasteful habits; (2) determine the actions necessary to avoid waste; and (3) provide repeated reminders until new habits are formed.

It has become difficult to enforce waste-prevention rules. The correction of wasteful practices, not punishment, should be the aim of any disciplinary action. Accordingly, management should: (1) establish, by example, its interest in waste control as a continuing goal of the department; (2) apply discipline firmly and consistently; (3) try to operate with a minimum number of rules and encourage understanding and acceptance of those; (4) foster effective control by quick recognition of satisfactory performance.

—*Management Information for Foremen and Supervisors.* (Elliott Service Company, 30 North McQuesten Parkway, Mount Vernon, N. Y.) 9/14/53

THERE ARE NOW more than 13 million working couples in the nation.

—*The American Magazine* 10/53

STREAMLINING MAINTENANCE OPERATIONS: ONE COMPANY'S PROGRAM

GETTING the right maintenance men to the right place at the right time is often a major headache for production management.

It used to be so much of a problem in one Texas oil refinery that something radical had to be done about it. There were many organizational weaknesses: lines of authority and responsibility were not clearly drawn, craft foremen were not giving their men sufficient guidance, and engineers heading up the maintenance organization were spending more time supervising the mechanics than planning and coordinating activities.

The reorganization started with studies of maintenance work in other companies having similar production problems. When the findings were in, all management people concerned—general foremen, department heads, and top executives—met to discuss the maintenance services. The discussion lasted two full days and was concluded with the adoption of a tentative plan designed to accomplish three objectives: (1) to establish definite lines of responsibility and authority; (2) to improve the functioning of the regional engineers; (3) to establish a direct daily planning technique for mechanical work.

The yard was divided into 23 areas with a supervisor in charge of each area. The "area supervisor" is now responsible for getting all the mechanical work done in his area and for seeing to it that all equipment is kept in tip-top shape. He reports to an assistant regional engineer responsible for planning, coordinating, and scheduling in the area.

Under the new system, all mechanics have just one craft foreman to whom to go with their problems, even though they are assigned to different areas for work. The craft foreman—who assigns his men to specific areas but not to specific jobs—is responsible for bringing the employee along in his trade, providing guidance and know-how, and training and evaluating the craftsman's skills. He visits his men on the job to help them in the performance of their work. He concentrates on personnel work; if they have any question about the job or job related conditions, he is there to give the answer.

The heads of the maintenance and construction division worked on the "communications and training" phase of the reorganization. In addition to the task of explaining to the entire organization what the plan was all about, many men had to be transferred, upgraded and trained in their new responsibilities. There were new procedures and new forms. All this took a whole month of intensive instruction and training work.

Meetings were held with groups of about 20 supervisors at a time. These sessions, which generally lasted around two hours, were held twice daily. An illustrated cartoon booklet summarizing the basic features of the plan was distributed to every employee in the company.

Training meetings were then held with the area supervisors to discuss their responsibilities. The region supervisors got together to discuss specific regional problems. And all employees were informed that once the new plan was installed, daily "gripe sessions" would be held.

All these preparations paid off. There was a minimum of confusion when "D-Day" came; everybody acted as though he was personally responsible for the success of the new organization.

"Nobody was hurt by the changes, and practically everyone benefited in some way," says one company executive. "The mechanics seem to be satisfied; they're able to pin down the work they do and they take pride in it. And the area supervisors are enthusiastic about the new organization. They're completing jobs on time and without a lot of fuss and fretting. We're expecting to increase worker productivity and reduce maintenance costs."

—*The Foreman's Letter* (National Foreman's Institute, Inc.), August 17, 1953, p. 3:2.

Training the Industrial Truck Driver

CURRENT TRAINING of industrial truck drivers—except in the largest firms—is so bad that it costs industry millions of man-hours every year, according to J. L. Van Cara, driver-training expert of the Automatic Transportation Company.

Drivers should be instructed over a three-day period, he believes, with the first day largely spent in practicing alone with an unloaded truck. During this day's "laboratory class," the trainee will learn controls, speeds, and smoothness of operating.

The next day he will begin to use a typical load, and gradually will begin working into the area where he will be assigned. He'll learn traffic problems, the speed at which he will work, and the locations where he will pick up and deliver loads. Also, he'll get the "feel" of working in the limited space of storage bays, as compared to the relatively spacious dimensions of most practice areas.

The third day he'll be on his own most of the time, and before his shift is over he should be at ease with the truck.

The 17 points listed below are suggested as a basic code for any company's industrial truck operators:

1. Keep the body inside the running line of the truck.
2. No passengers should be permitted to ride on the trucks.
3. Keep to right of aisles whenever possible.
4. Slow down when vision is obstructed.
5. Stop at doors, corners, exits, etc., and sound horn.
6. Use horn when approaching pedestrians.
7. Start, stop, or turn gently, not suddenly.
8. Always face in the direction of travel. Before backing up, look in the direction you will go.
9. Carry only loads for which the truck is meant.
10. Keep loads below eye level, carrying them just clear of the floor. If the load blocks vision, it should be trailed, except on sit-down model trucks.
11. Never drive high-lift trucks with platform or forks elevated.
12. Bent or damaged loading plates should not be used.
13. Reverse controls are not a substitute for brakes.
14. Driving with wet or greasy hands is dangerous, because it can cause the operator to lose control of the wheel.
15. Slow down for wet or slippery floors.
16. Stunt driving and horseplay must be eliminated.
17. Trucks should be returned to the charging station or parking area at the end of the shift.

—*Industrial Management* 9/53

Industrial Capacity and Demand: The Gap Narrows

INDUSTRY'S CAPACITY to produce goods is catching up with national demand, according to the replies of executives of 159 manufacturing companies replying in a recent survey conducted by the National Industrial Conference Board.

Three out of four companies indicate that capacity and demand for their major product lines are substantially in balance, and many claim they now have some surplus capacity. Only 7 per cent of the companies reported that current demand for their major lines was in excess of the industry's capacity to produce, while 17 per cent said their industry's present productive capacity was beyond the requirements of consumption.

Approximately 13 per cent of the companies expected that some capacity in their industries would be retired in the foreseeable future—primarily that of marginal plants, which will be abandoned whenever demand no longer justifies their continued operation. Where competition is already severe, some small concerns are being forced to quit; but as yet, the survey found, the volume of capacity thus retired is negligible compared to the total.

Also Recommended • • •

THE AUTOMATIC FACTORY. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), October, 1953. $1.25. Sixteen experts discuss the advances, problems, and social implications of automatization in the metalworking and assembly-line industries. The round-table participants agree that the next eight to 10 years—because of a tight labor supply resulting from the low birth-rate of the 1930's—will provide industry with an ideal opportunity to speed automatization.

PREDETERMINED TIME STANDARDS. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), September, 1953. 50 cents. Presents the findings of a survey in which 132 companies currently using some type of predetermined time standards reported on their past experience and present practices in this area. Among the benefits cited by respondents were better shop methods (89 per cent) and savings in time and cost of setting up for new products (65 per cent). Various difficulties were mentioned by nearly 80 per cent of the replying firms; of these, nearly half had had trouble establishing confidence in the validity of application data.

LOOKING FOR TROUBLE. By Homer G. Jordan. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), August, 1953. 55 cents. Progress in the reduction of industrial accident rates has so cut down the volume of current accident data that statistical analysis is far less useful than formerly as an approach to the problem of industrial safety, the author points out. Stressing the importance of periodic safety inspections which take into account such factors as repetitiveness of the task and distracting elements in the work environment, he offers a detailed checklist for the safety inspector, covering personal as well as mechanical aspects of work operations.

APPRAISING THE VENDOR. By Robert J. Flynn and Alfred J. Grotheer. *Purchasing* (205 East 42 Street, New York 17, N. Y.), September, 1953. 50 cents. Before placing an order, the purchaser should visit the plant of would-be vendors, this article recommends. Among the points which should be observed, according to the article, are housekeeping methods, shop specialities, equipment and personnel, methods of handling and shipping goods, delivery performance, and quality and cost controls.

NOW—THE "PERFECT TRAINING PLAN" FOR MAINTENANCE APPRENTICES. By David W. Hill and William O. Edwards. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), September, 1953. 50 cents. Reports on a highly successful 8,000-hour training program in operation since 1951 at the Hercules Powder Company, which involves evening vocational courses, on-the-job examinations, and a minimum of paperwork. The program, which has supplied the company with a large group of well-trained mechanics, is conducted with the cooperation of the union.

MANUFACTURER'S REPRESENTATIVES: CAN THEY SELL YOUR PRODUCT?

YEARS AGO OUR company had hundreds of direct salesmen on its payroll. Then, for a period, our selling was done by representatives. Today we have both. When it comes to the age-old debate of direct salesmen versus manufacturer's representatives, we are on both sides—and happily so.

After years of study, plus much trial and error, we have found that a direct selling force is preferable under the following circumstances:

1. When technical knowledge is required in the sale of a product.
2. When installation of the product calls for special techniques or training.
3. When the sale of the product must be followed up by periodic servicing.
4. When the number of customers is comparatively small and each of considerable size, in contrast to thousands of small individual outlets for the product.

Among the circumstances which favor the use of manufacturer's representatives are the following:

1. Where the number of customers (not consumers, of course) is large and their places of business are spread over wide areas.
2. Where each sale is comparatively small and would not allow for adequate earnings for the salesman.
3. Where the product can logically be sold along with a number of other allied products during one call on a customer.
4. Where the direct salesman does not have a complete line of related products to sell, and the individual sale of one product would not provide an adequate commission.
5. Where the dollar volume of the orders written by the direct salesman does not justify the cost of his travel through the territory.

Some years ago, the automotive division of our company had several hundred salesmen who sold directly to automotive equipment stores and outlets. An analysis of distribution in this division revealed a top-heavy sales force, an uneconomic sales operation, and unhappy salesmen who did not have a full line to sell and whose earnings were not very good.

Since the resulting change-over, manufacturer's representatives do the actual selling of this division's products. They call upon thousands of outlets and sell our products along with their other items. To the company, the addition of manufacturer's representatives in this division meant better and more economical sales coverage.

The direct salesmen, on the other hand, now call upon the large customers and prospects. Their selling is on a broader basis. They do not write specific orders, but sell the company, its name, its reputation, and the quality of its products. In other words, the direct salesmen service accounts, pave the way for the representatives, and act as public relations men for the company.

One of the most frequent criticisms of selling through representatives is the absence of direct contact between the customer and the manufacturer. There is no denying this point, for in our opinion there is no substitute for personal contact

between customer and company—and where representatives alone handle the sales of a division, direct contact is lost. However, close work with the representatives can aid them in filling the gap to a satisfactory degree in many cases; this means that representatives must be kept up-to-the-minute on policies, plans, advertising campaigns, merchandising changes and promotions. A number of companies who sell entirely through representatives have succeeded in "educating" and developing their representatives to such a degree that they practically double as direct salesmen.

Comparing the representative and the direct salesman on the basis of their relative cost, selling abilities, or responsiveness to company control is likely to be misleading. When all is said and done, the best method of distribution must still be determined by the type of product, the territorial coverage needed, the number of customers and prospects, and the type of selling, installation, and servicing required.

—A. PAUL SMITH, JR. *Management Methods*, September, 1953, p. 30:3.

The Youth Market: Ten Years of Trends

VIRTUALLY EVERY PHASE of every industry has a vital stake in the youth market—which will expand by an estimated 30 per cent in the next 10 years. While this market is extremely difficult to gauge, because of the significance of fads, some interesting findings on the changing habits and tastes of youth during the past decade have been developed by Eugene Gilbert & Co., a New York firm specializing in research on the youth market.

During the 10 years just past, disposable income of youth grew rapidly: 326 per cent for the teen-age boy, 310 per cent for the teen-age girl, 240 per cent for the young boy (age 8 to 12); 218 per cent for the young girl. In about 25 per cent of the lower and middle income families, in fact, the teen-age boy who works has now more spendable income for luxury items than his father.

Youth groups today are spending so much time watching television that six of 15 favorite entertainers named in a recent poll were television performers exclusively. Teen-agers, who are the most intensive motion picture viewers and the most consistent audience, have cut their movie-going by 30 per cent.

Meanwhile, more money is being spent for hobbies. Photography, especially flash bulb, has increased five-fold in the past decade. Another hobby sweeping the teen-age market is the "paint-it-yourself" craze, something completely unknown in 1944.

—*Tide* 6/20/53

YOUR ADVERTISING AGENCY: "TIME FOR A CHANGE"?

SELECTION of an advertising agency, always an important step for any company, is becoming even more serious in these days of stiffer competition. A company that places millions—or even thousands—of dollars in the hands of its advertising men each year cannot do it lightly. Yet, each year, companies switch agencies in fairly large numbers. Each change involves considerable economic waste, not only in advertising outlays but in lost business to the company.

To find what factors weigh most heavily in the selection of an agency, as well as in the decision to change agencies, the Sales Executives Club of New York recently conducted a special study of the experience of 101 firms representing a cross-section of typical New York advertisers. These firms included 68 manufacturers, 14 wholesale and retail establishments, eight printers and publishers, six public utility and service companies, and five companies in the finance and insurance fields. Their annual advertising budgets range from $50,000 to many millions of dollars.

In the past three years 34.3 per cent of these firms changed agencies, as compared to 32.6 per cent in the previous seven years. The changes, in other words, are taking place with increasing frequency. In addition to the most recent changes, 58.7 per cent of the respondents had made from one to five previous changes over a 20-year period.

Further, some 31.7 per cent would seem to be eyeing their agencies speculatively. That many companies feel their present agencies have fallen short of expectations; moreover, 11.1 per cent had found it necessary to change agencies in the first half of 1953.

Personality differences play a smaller part in agency changes than is generally supposed, the study indicated. And in most cases (72.2 per cent) the change is made because of dissatisfaction on the part of the advertiser, rather than because of any competitive pitch (17.7 per cent) by another agency. The remainder said they changed as the result of a combination of both factors.

Here are the reasons, in order, for changing agencies: Lack of creative thinking; copy failed to produce desired results; inexperience in advertiser's product line; personality difficulties; inadequate merchandising "know-how"; insufficient research services; lack of facilities to handle increased volume and complexities of an enlarged account; lack of attention for a small account in a big agency.

The study showed that the president, advertising manager, vice-president and sales manager, in that order, had the important roles in making the final decision on selection of the new agency. The advertising manager generally had a more important part in starting the change.

Some 78.6 per cent of the companies interviewed from one to four agencies before making the final choice. The three principal reasons for considering these agencies were caliber of top agency personnel, experience in their field, and the quality and quantity of services offered.

Of the firms replying, 41.2 per cent rated their present agencies as "excellent," (better than had been expected), 49.4 per cent said they are "good" (satisfactory but not outstanding), while 9.4 per cent rated them "fair" (not up to expectations). Some 75.2 per cent are satisfied with the present 15 per cent agency

commission arrangement; 18.5 question certain features, while 6.3 find it unsatisfactory.

Here are the seven factors these companies say should be given special consideration in choosing an agency: The experience and quality of the agency's top personnel; the ability of the agency personnel to work harmoniously with the company's sales advertising departments; their capacity to originate and carry out new ideas; the agency's successful experience in the advertiser's field; their ability to appraise the results of their work fearlessly and honestly; the stability of the agency's past and present accounts; the proper size agency to give the account the right type of attention.

—*The New York Sales Executive Weekly*, September 8, 1953, p. 4:4.

Training Sales Supervisors—A Survey of Company Practices

WHAT EFFORTS are companies making to train sales supervisors to do their jobs more effectively? Are measures being taken to insure a reserve supply of sales supervisors for the future?

To find answers to these questions, a survey was made recently by Dr. Charles Lapp of Washington University, St. Louis, Mo. Three hundred and forty-seven sales supervisors supervising 3,482 salesmen in industrial product companies and 134 sales supervisors supervising 5,554 salesmen in consumer product companies were asked to comment on the extent of the supervisory training they had received.

Here are the major findings of the survey:

In discussing the amount of training they had received before assuming their supervisory duties, 30 per cent of those questioned in industrial product companies reported they had received no training; 61.6 per cent said they had received a brief orientation in their duties; 1.3 per cent reported less than three days of training; 2.6 per cent reported less than one month; and 4.6 per cent said they had had about one year of experience in some type of staff or line executive job. In the consumer product companies, 64.1 per cent said they had received no training; 23.9 per cent reported less than one month of training; and 12.0 per cent said they had had executive work experience.

Asked whether an increased amount of training would have helped them, 79.8 per cent of supervisors in the industrial product companies said yes; 12.6 per cent, no; and 7.6 per cent, maybe. In the consumer product companies, 51.5 per cent said yes; 39.5 per cent, no; and 9.0 per cent, maybe.

Thirty per cent of the supervisors in the industrial product companies claimed they had received no training in their duties since they took over their present jobs; 61.6 per cent said they had received some, but not enough; 8.4 per cent felt they had received enough. In the consumer product companies, 55.2 per cent said they had received no training; 13.4 per cent said they had had some, but not enough; and 31.4 per cent felt they had received enough.

The survey also revealed that only 187 salesmen out of 3,604 salesmen in the consumer product companies had been given any training to prepare them for supervisory functions. In the industrial product companies, only 83 out of 1,086 salesmen had been given such training.

Only 46 out of 165 immediate superiors of salesmen in the consumer product companies had been prepared to take over higher level jobs; in the industrial product companies, this was true of only 83 out of 175.

HOW TO LOCATE NEW PROSPECTS

PROSPECTS ARE peculiar people. They often have a real need for your product or service, but don't know it. You have to locate them and convert that latent desire into action.

The big prospect-locator—and the least expensive—is, of course, advertising. However, there are many other effective means of locating good prospects. Here are just a few:

Door-to-door, the old reliable. Door-to-door prospecting works especially well for some types of household goods, and also for certain more expensive specialty items—the once-in-a-while purchases. A good example is storm doors and screens. Prospects for these items are thick as houses in a new housing development—and that's pretty thick these days.

Regular delivery and service men, who travel door-to-door in the normal course of events, are a logical means of carrying on the search. But they have to be given some tangible incentive to exert the extra effort of checking for prospects.

Closely related to the route delivery salesmen in value and potential as prospect finders are the repair crews. They attain access to homes when it may be denied regular salesmen. They are also the key to trade-in purchases in many cases.

The telephone canvass, a sales time-saver. A less expensive way to check every home is by telephone. This saves a lot of valuable time for salesmen, and is better strategy for some types of product, especially high-priced items. As in direct mail, the appropriateness of the list used as the basis for a telephone canvass may have something to do with results. However, experiments made with lists taken from the telephone book at random indicate that the telephone canvass for products of general usefulness may be just about as effective with a random list as with pre-selected lists.

Part-time salesmen. People who devote only part of their time to selling can afford to accept a relatively small return for the large amount of time required to locate a good prospect. Since they generally have another steady pay check or allowance to rely on, they can consider any extra income from part-time work as gravy. In this category are housewives, school children, and today a growing number of low-echelon white-collar workers.

When you decide to use part-time selling help, you have to plan for a rather large and continuous advertising campaign, designed to locate not the prospects but the *prospectors.* A typical advertiser of this kind is Merlite Industries, Inc., New York. Its experience shows that testimonial copy, quoting men who have had success selling its product (fire extinguishers) is most effective in locating new salesmen-prospectors.

Parties are fun. A highly skilled salesman or saleswoman may arrange for a party and sales demonstration in a home to which the homeowner invites several neighbors. In this way, the prospect-hunting work is concentrated in one time and place—and it becomes feasible to use skilled sales personnel for the job.

The hostess may receive a valuable dividend for her part in the proceedings, while each guest receives a company product as a premium.

Use the user. Satisfied customers are a primary source of part-time salesmen, and are often glad to supply names and ad-

dresses of other people who might like to buy the same products.

Public demonstration. A large-scale demonstration works like a magnet in drawing prospects out of a crowd.

The appliance manufacturers have done a fine job of establishing counter demonstration centers. These have large permanent displays, and are usually staffed by a manufacturer-paid demonstrator. The demonstrator, if he can't make a sale on the floor, seeks the opportunity for a follow-up demonstration in the prospect's home.

To assure attendance for any kind of demonstration (in stores, theaters, or homes) consider the use of a related item as a premium. By offering a present to people who submit to a demonstration, many manufacturers have been able to expand greatly their search for prospects.

To make the general demonstration produce definite prospects, make sure that some provision is made for recording the names and addresses of the people who attend.

Packages and samples. In the merchandising man's bag of tricks are related item displays, two-for-the-price-of-one deals, hitch-hike packages, and package inserts. In every case, the consumer either gets a sample package free with the regular purchase, or is told about the related item at the same time that she is using the original one.

—CARROLL J. SWAN. *Printers' Ink*, July 10, 1953, p. 42:5.

The Economic Outlook: How Consumers View It

A RECENT SURVEY of 2,500 consumers by the Psychological Corporation showed that only 18.8 per cent fear that inflation and high prices threaten prosperity. Last year, the percentage was 28.4. The same survey reflected growing confidence in government. Only 10.5 per cent thought graft in government and an incompetent bureaucracy might endanger prosperity; last year, 16.6 thought so.

The survey also showed rising confidence in big business. Asked what they thought about the size of earnings of large companies, 54 per cent replied "the right amount" or "too little"—a rise from 51 per cent in 1952 and 31 per cent in 1951.

—*Newsweek* 8/31/53

Stamp Promotions—Solution to Current Sales Problems?

IN ALL PARTS of the country, competition-conscious retailers are turning to premium stamps to stimulate sales volume. Until recently, this type of promotion has been associated with depression conditions, and many are surprised to see it crop up when sales volume at the retail level is as great as it is today.

Why this unseasonal popularity of a device that is usually considered a last-ditch promotion? On the testimony of the retailers themselves, the causes are somewhat like those that spurred the use of such schemes in the trying Thirties. The big difference is one of degree, with few sellers actually going to the wall but with many feeling strains akin to those of the "hard times" era.

Most of those who undertake a stamp program leave much of its operation in the hands of the premium stamp manufacturers. These, as a rule, maintain redemp-

tion stores at which those persistent shoppers who have collected the necessary number of stamps select the "gifts" to which they are entitled.

The cost to the retailer of such a program may be as much as 2 per cent or 3 per cent of gross receipts, but the added sales volume is said to make it worth while. Some store owners disdain stamp promotions on the ground that they cost more than they are worth. Others, who do a large volume of self-service business, say that issuing stamps to individual customers would result in checking-counter tie-ups that would actually cause a loss of business rather than a gain.

The soundest objection, however, and one that comes from many business men, is that any margin the seller can spare should be passed along to the consumer in terms of lower prices—the best merchandising policy in the world in their view.

Distributors, while not directly involved in trading-stamp promotions, are likely to second the motion on this attitude. Most of them would be happy to see this and other deals abandoned in favor of more vigorous selling methods and direct price inducements.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 9/13/53

Full Shelves Boost Sales

DO FULLY stocked shelves in self-service stores mean greater sales volume? A check made over two-week periods in seven eastern food markets showed a startling increase of 22 per cent in total sales when shelf stocks were kept "reasonably full" instead of "normal." The only difference was in the number of packages stocked; no more shelf space was given, nor were there any special displays or price reductions.

Cigarette sales, for example, increased by 15.7 per cent; soap, by 18.2 per cent; canned beans, by 25.1 per cent; coffee, by 16.7 per cent; frozen foods, by 53.1 per cent. In practically every instance, dollar sales increased more than unit sales—which suggests that adequate shelf stocks are of particular importance to makers of quality products.

—*Sales Management* 7/15/53

Marketing Abroad—A Survey of Company Practice

EVEN IN THESE trying times, anyone who runs an export business is likely to be making a profit, besides opening a virtually limitless new market. A recent *Tide* survey of 200 companies now marketing abroad disclosed that 60 per cent of the respondents make a profit on foreign business equal per unit of sale to their domestic business, while 20 per cent make a higher profit.

Nearly 90 per cent of the firms reported that their foreign sales have steadily increased. These businesses indicated that on the average 15 per cent of total sales now come from international markets. About 70 per cent of the companies do from 10 to 20 per cent of their business outside the U. S.; 25 per cent do more than this.

Who heads up the international operations of these businesses? The survey showed that in 46 per cent of the firms the executive in charge of international business is a vice president; in 30 per cent of the firms, he is an export manager.

Sixty-one per cent of the men in charge of international operations report directly to the president or board of directors, while most of the rest reports to the head of sales. More than 50 per cent report to their superior at least once a week.

—*Tide*, Vol. 27, No. 12

Also Recommended • • •

THE LEISURED MASSES. *Business Week* (330 West 42 Street, New York 36, N. Y.), September 12 and September 19, 1953. 25 cents. The developing booms in do-it-yourself projects, boating and other individual sports, and travel are just a few of the signs of the revolution in leisure-time pursuits brought about by the shorter workweek, these articles point out. Americans' new-found interest in "doing, making, and going" is changing national buying habits (the demand for casual clothes has increased, for example) and will have important effects on their plans for retirement.

STREAMLINING THE SALES FORECAST. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), August, 1953. 75 cents. Citing the experience of such companies as Dow Chemical and Eastman Kodak, this article finds that the range of error in sales forecasts can be reduced by broadening the forecasting apparatus to include more departments within the company and by using up-to-date statistical methods. For example, it is cheaper to duplicate data than it is to base output and purchases on a forecast that omitted some important factor. A number of trade, government, and private research sources for this necessary data are listed.

AVERY FINDS A FAST, EFFICIENT ORDER-HANDLING PROCEDURE. By Nat and Eleanor Wood. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), July 15, 1953. 50 cents. Describes how a special unit established to process orders, answer inquiries, and act as liaison between factory and salesman has paid off for one company by reducing customer complaints, providing faster and more reliable handling of correspondence, and furnishing a consolidated center of contact which saves salesmen's time.

LET'S LOOK AT THE STORE OF TOMORROW. By Albert Morehead. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), August, 1953. 60 cents. The retailer of the future, this article predicts, will combine effective display, self-service, and convenient store location to bring more customers in, speed up purchases, and ease the parking problem. The store of the future will still be a department store, but the departments will be arranged by the manner of selling, rather than the things sold, with separate departments for 1) prepackaged goods, 2) preselected goods, and 3) goods that require personal service.

FILMS FOR SELLING. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), August, 1953. 75 cents. Objectives, potential benefits, costs, and distribution problems of making commercial movies for use in conjunction with other selling methods are considered here, with a case history from a manufacturer of materials-handling machines. The most common yardstick for predicting a professionally-made film's cost is $1,000 per minute of showing time, the article states.

ROLE-PLAYING: A REALISTIC EXPERIENCE FOR SALES TRAINING. By Carl H. Demmin. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), July 15, 1953. 50 cents. Describes how a company manufacturing an extensive line of industrial products has solved its sales training program by letting trainees participate in sample sales situations and criticize each other's efforts. The author asserts that role-playing not only provides needed practice in selling techniques but is often more effective than lectures in explaining items of company policy.

THE EFFECTIVENESS OF OLDER PERSONNEL IN RETAILING. By Robert L. Peterson. *Business Management Service Bulletin No.* 607 (College of Commerce and Business Administration, University of Illinois, Urbana, Ill.), May, 1953. Gratis. Evaluations of 527 aging employees of 22 Illinois retail stores showed that the senior worker of 60 and over is outproducing his juniors, has a better record of work attendance and general dependability, and is a valuable asset to the store. This account of how the evaluations were made includes a copy of the rating questionnaire submitted to department managers and buyers.

HOW TO SOLVE MARKETING PROBLEMS. *Cost and Profit Outlook* (1401 Walnut Street, Philadelphia 2, Penna.), August, 1953. Before any marketing problem can be solved on the practical level, this article points out, the market analyst and the executive to whom he reports must each appreciate the nature of the other's function and be prepared to cooperate in the interest of achieving the best practical answer to the question at hand. While recognizing the indispensability of statistical tools in market analysis, this discussion of the analyst's task suggests that systematic calculation can never completely take the place of insight in the solution of marketing problems.

MANAGEMENT PLANNING AND CONTROL: THE CONTROLLER'S ROLE

MANAGEMENT planning and control has been called the process of achieving a balance between accounting, budgeting, and basic planning in support of the corporation's long-term net profit program.

These three functions differ in the amount of control which they provide. The accounting process gives some measure of control simply by keeping tab on actual performance. When budgeting is added, additional control is achieved by relating the actual performance to the budget as the basis for corrective action. But when basic planning is added, the ultimate in control is achieved by relating the budget itself to the basic plans which reflect the long-range policies of the corporation.

In performing these functions, the controller can be likened to an individual who lives in a three-story house. The first story is the accounting department, where the tabs are kept on actual performance. The second story is the budget department, where long and short-range budgets are fitted together into a program for profit. The third story is the basic planning department, where the long-range policies of the corporation are formed by original and creative thinking applied to specific problems. The work on the third story consists of a long series of special projects or studies leading to conclusions or recommendations which establish the basic plans of the corporation.

The second story cannot be reached without passing through the first, nor can the third story be reached without passing through the second. The second story can be reached by climbing seven steps which correspond to the seven requirements of good budgeting. The third story can be reached by climbing six additional steps which correspond to the process of corporate policy formation.

A good budget is the means through which the efforts of the business can be coordinated to produce the maximum profit. It makes profits a part of the program by providing for them in advance.

REQUISITES OF GOOD BUDGETING

The first requirement for effective budgetary control is *enthusiasm on the part of the controller.* Not only must he be convinced of the merits of the program itself, but he must also spread his ideas around the organization. This can be done by keeping the budget simple and practical, by talking in the other fellow's language, and by helping others in the business by explaining results and trends as they relate to their operation.

The second requirement for an effective budget is *participation,* which means that each key man in the business must share in the preparation of the budget and must recognize and accept it as a fair standard for control of operations. In this way, the budget serves periodically to stimulate the thinking and imagination of each key person in the business.

The third requirement is *realism.* If the

budget is realistic, it will properly serve as a springboard for corrective action whenever a downward trend is indicated.

A spirit of determination is the fourth requirement. It can be developed in three ways: (1) from the stimulus provided by a budgetary control program which contains the highest standards of performance attainable; (2) from relating the budgetary control program to an incentive system; and (3) from the delegation and assignment of authority and responsibilities to centers of operation which become centers of control. An effective budget is one that can be met because responsibility for meeting it is coupled with the authority necessary to carry it out.

A fifth requirement is *coordination*. This word best describes the personal functions of the controller as related to the budgetary control activity. It means the review, adjustment, and assembly of the original budgets, as prepared by key men throughout the organization, into a finished objective that can be accepted by the management of the company. The controller does not prepare the budget: he coordinates it for management.

Communication is the sixth requirement. It means the translation of the budget into dollars and cents and the dissemination of the budget throughout the organization. We must explain the budget, the reasoning behind the budget, and the long-term objectives of the budget program.

The seventh requirement for any effective budgetary control system is *flexibility*. The budget must provide for changes in business conditions. A typical program might include three layers of budget activities: (1) long-range plans of profit-and-loss and balance-sheet elements, covering periods of three to five years duration, prepared at least annually, and used as a vehicle through which the basic plans or policies of the corporation are implemented; (2) middle-range plans for periods ranging from six months to a year or more ahead, which serve to detect and to provide for the correction of weak spots which are indicated as a part of the budgeting process, and (3) short-range plans, prepared at least monthly, which control the period of immediate operations.

Once the budgeting process has been satisfactorily established, it is merely the vehicle through which the basic plans of the corporation can be implemented. Basic planning is the real lifeblood of the corporation, while budgeting is merely the vein structure through which the lifeblood is circulated.

THE CONTROLLER AS A POLICY-MAKER

There are six steps in corporate policy formation: selection, analysis, interpretation, translation, recommendation, and implementation. These six steps may well come to be regarded as the most important part of the controller's opportunity for service to management; future concepts of controllership will perhaps lay much greater emphasis on the performance of these functions than on other parts of the controller's responsibilities.

The first of these steps is selection—the process of reviewing all the affairs of the corporation in an effort to extract a list of factors that are limiting its profitable growth, or threaten to do so at some future time.

Next comes analysis, which means gathering facts and assembling data in such a way as to indicate trends and the extent of any cause-and-effect relationships which may exist. This involves not

only the diagnosis but also the course of corrective action to be taken.

The third step is interpretation—the process through which the controller communicates his understanding to management.

The controller should also prepare translations as a service to management. He should understand the technical jargon used by the specialist and should translate it into plain talk for proper use by management. He should be willing and able to absorb a complex report, understand it, digest it, and express it concisely in a sheet or two for use by others who have the responsibility for making a quick decision.

The controller must also recommend a course of action to management. Every presentation he makes should contain a recommendation. The problems, the alternatives, and the recommendation should be so apparent that the gist is clear to the reader within 60 seconds of reading time.

The final step in policy formation is implementation—the process of obtaining a management decision covering the course of action recommended by the controller or others in the organization, the adjusting of the corporation's budget from time to time to reflect this decision, and the execution of the course of action recommended.

—From an address by RONELLO B. LEWIS, Controller, Radio Corporation of America, before the 22nd Annual Meeting of the Controllers Institute of America.

Wage-Hour Rules on Christmas Bonuses

DON'T OVERLOOK possible wage-hour complications in setting your Christmas bonus policy, warns the Research Institute of America.

The law requires some bonus payments to be added to regular earnings in computing overtime pay—but this can be avoided if (1) the bonus is not based on hours worked, production, or efficiency; (2) the employer is not committed by oral or written contract to pay it; and (3) it is not so large that recipients can reasonably regard it as part of their regular pay.

Even though it may have been paid so regularly that employees expect to receive it, a bonus which meets these conditions as a gift can be excluded from overtime. For example, a Christmas bonus of two weeks' salary for all employees, with an equal additional amount for each five years of service, would not be included in employees' regular rates for overtime under the wage-hour law—provided no contract is involved in the arrangement.

IN THE PAST five years, corporate earnings have totaled a breathtaking $94 billion. Thanks to conservative dividend policies, $52 billion of that has been plowed back into business. By any yardstick, this is a huge sum; total corporate profits after taxes were only $8.4 billion in 1929. But the $52 billion looks a lot smaller when measured against corporate spending in the same period, which amounted to $115 billion. To help make up the difference, corporations found it necessary to increase the load of their bank borrowings by around $9 billion, and sell $24 billion of longer-term debt obligations and preferred and common stocks.

—*Business Week*, No. 1230

THE STOCK MARKET: AN ACCURATE BUSINESS BAROMETER?

How useful is the stock market in the prediction of business trends?

Recent sharp declines in stocks—and there are still no indications that the decline is over, although the "bleeding" has stopped temporarily—were widely taken as a tip-off that business is heading into more than a moderate decline. If such an idea takes hold, it can indeed have a considerable influence on business sentiment. Yet actually the stock market, in recent years, has lost much of its "barometric" significance—if indeed it ever possessed one.

Past evidence certainly does not justify any exaggerated claims for the stock market's "inside" knowledge. Only at times, since 1925, has there been anything like a close parallel in the movement of industrial production and stock prices. Quite frequently, the two have moved in opposite directions—and even when there was a parallel movement, the swings in the two statistical series often have varied considerably in sharpness. In a word, the record falls considerably short of showing anything like a reliable relationship between business activity and the stock market.

Actually, of course, business activity and the stock market do affect each other, but the cause-and-effect relationship between them is not always the same. While the rate of business activity is one of the main factors determining the course of the stock market, it is not the only one. At times, changes in the level of business activity can be offset—or considerably intensified, as the case may be—by changes in the tax structure or by changes in interest rates.

Here are a few illustrations to underscore the fallibility of the stock market as a business barometer:

In 1927 and again in mid-1929, the stock market ignored the signs of a slowdown in industrial activity (in 1927 and again in mid-1929) and went on to the inevitable bust of 1929.

Changes in controls and taxes more than offset the rapid cutbacks in war production in 1945 and caused a steep stock market rise at the very moment when industrial production turned down.

Perhaps the most horrible example of missing the boat was given by the stock market in 1946. In anticipation of an immediate postwar recession, the market sold off sharply at the very time when evidence was starting to pile up that the economy was headed into an unprecedented postwar boom. It was not until after the 1948-49 inventory "recession" had subsided that the stock market started believing the evidence of a strong postwar boom and responded with a sustained advance.

Despite the poor record of the stock market as a business indicator, it is undeniably true that, at times, it exercises an important influence on business "sentiment." In such instances, it does not "forecast" business trends, but it sometimes helps make them. This year, for example, it has undoubtedly been reflecting the reactions of numerous individuals to increasing uncertainty as to how sound our present economy actually is.

As yet, however, there is no way of knowing whether this combined mass judgment is correct. When we are committing them, we seldom if ever recognize our excesses as such. And that goes for the "bear" as well as the "bull."

—H. E. Luedicke. *Journal of Commerce,* September 23, 1953, p. 1:2.

TAX WRITE-OFFS: ONE WAY TO KEEP THE ECONOMY EXPANDING

If the U. S. could find a permanent peacetime method to spur industry to build new plants and modernize old ones —thus achieving the higher productivity which brings down prices and raises real wages—the consumer would benefit enormously. Such expansion has been achieved in wartime through the use of "accelerated amortization," which permits the writing off of defense-essential plants and equipment in five years instead of the 20 normally required by the Internal Revenue Bureau. In World War I, this practice spurred the building of $650 million in new facilities; in World War II, another $6 billion worth was constructed, and since Korea, the whopping total of $27.8 billion has gone into new defense facilities, with quick write-offs covering 61 per cent of the total cost.

Now that the government's goals are in sight, the Administration plans to put an end to fast write-offs in most industries. But since fast write-offs worked such industrial miracles in emergencies, why should the practice not be made permanent? One objection is that most of the expansion is paid for by money that otherwise would have been paid in taxes. To many companies the policy was a bonanza. But there is no doubt that the net gains of quick amortization have been great enough to override its faults. The current loss in taxes will probably be made up eventually by taxes on expanded corporate incomes, just as the federal tax yield has kept increasing because of past expansions. While there are some obstacles to any blanket extension—chief of them being an immediate heavy loss in tax revenue—there are practical and workable ways in which many of the advantages of quick amortization could be made a permanent aid to the economy. Many could be accomplished if the Bureau of Internal Revenue would simply revise some of its rules and procedures. For example, present regulations allow only about 5 per cent a year for depreciation, often far less than the actual costs of replacement in an inflationary period. The B. I. R. measures the value of a plant or equipment by its probable life—but many machines which will last twenty years or more may become obsolete in five. A realistic taxing philosophy would compute depreciation on obsolescence rather than longevity.

One sound way of doing this is use of the "declining balance" method. This would allow a big deduction, perhaps half of the cost, in the first few years' use of new equipment when the rate of obsolescence is greatest. Thus, with the biggest cost of equipment written off, a manufacturer would always have an incentive to modernize his plant. But, with a sizable portion of the cost still to be paid for, there would also be a deterrent to buying new equipment just to spend taxable profits.

Whatever tax revenues the government might lose would be an ultimate gain for the taxpayers, by increasing the productivity of the whole economy and thus lowering prices. By spurring the demand for heavy equipment—the backbone of the economy—there would also be another bar to a depression. Moreover, by making expansion and modernization a continuous rather than an emergency process, the U. S. would keep its industries always prepared for any war crisis.

—*Time*, September 21, 1953, p. 94:1.

Factors in Leaseback Financing

THE BENEFITS and disadvantages of leaseback financing, including federal tax considerations, are the subject of a report just issued by the Controllers Institute of America.* The report lists factors which should be weighed by a company's officers before deciding whether property should be owned or leased.

Where the property is leased, the report points out, the risk of inability to pay rent is incurred, with possible loss of the leasehold, including improvements, and resultant penalties, including insolvency. This danger is inherent in the lease, since the elements comprising rent, namely return on investment (interest) and recovery of investment (depreciation), are both fixed charges—whereas under ownership cash accumulations from depreciation accruals may be an element of strength in periods of economic stress. This differentiation is accentuated most when ownership is derived from equity sources, and least in the case of relatively heavy debt financing.

Leasing of property may afford a means of avoiding limitations on preferred stock or debt. On the other hand, ownership involves the opportunity to reduce capital costs where dividend or interest rates have dropped.

Confronted by loss in utility of the property, a tenant would generally be limited to subletting if the lease permits. This would reduce fixed charges to the extent of the rent received. An alternative is to negotiate a settlement with the landlord terminating the lease. In such case, immediate tax benefit would be available for the amount of the settlement.

The possibility of the necessity for improvements to leased property, not anticipated when the lease was negotiated, constitutes a major disadvantage of the leaseback, says the report. If such improvements become necessary, the tenant must either finance the cost and absorb it over the remaining period of the lease, possibly brief, or must negotiate for landlord financing.

In view of the history of frequent and major changes in our tax laws, it is pointed out, careful consideration should be given to the dangers inherent in basing a long-term decision solely or even predominantly on the tax advantages under current law and interpretations.

* "Leaseback Versus Security Financing." Available from *The Controller,* 1 East 42 Street, New York 17, N. Y. 20 cents.

Family Income Levels—The Trend Since '44

ANALYSIS of the eight annual income surveys conducted since 1944 by the Bureau of the Census reveals a steady rise in family incomes during this period. Between 1944 and 1951, the average family income increased from $2,500 to $3,700. Whereas only one in eight families had income over $5,000 in 1944, by 1951 the proportion of families in this category had more than doubled.

Higher pay rates accounted for most of this increase, although there was an increase in the number of family members working. Twenty-five per cent of married women were working in 1951, compared with only 15 per cent in 1940.

In 1951 the purchasing power of the average family was about as high as it was during the peak economic activity of World War II. Moreover, since 1951 consumer income has continued to rise.

—*Steel* 7/27/53

DESPITE currency and other restrictions, private U. S. investors have sunk $3.2 billion into American-controlled foreign enterprises in the past three years, half of it in Canada.

—*Time* 10/12/53

New Styles in Pensions

EMPLOYER AND EMPLOYEE contributions to pension and profit-sharing plans are exceeding $2 billion a year, according to Commerce Clearing House's latest *Pension Plan Guide*. It shows that 19,707 "qualified" plans are now operating in this country, with an additional 1,594 cases waiting for rulings.

A "qualified" plan is one which fully complies with Internal Revenue Bureau regulations, as it must do to receive income tax exemption and a deduction status for the employers' payments to finance it. Plans of 1,346 employers were qualified in the first three months of this year, as compared to 898 in the first quarter of 1952.

From its studies, Commerce Clearing House draws some conclusions about current trends in pension thinking:

Pressure for pension rights that a worker can take with him if he changes jobs is increasing. More concern will be shown for the wives of pensioners, who in general live longer than their husbands. Insistence for fully funded plans is growing. In a few recently inaugurated plans, benefits will fluctuate with the cost of living—but this feature is still in the experimental stage.

Finally, it is believed that the funds will have a "strongly stabilizing and probably somewhat inflationary" effect on the stock market.

—*Nation's Business* 8/53

Also Recommended • • •

COST FACTORS IN ADJUSTING PRICES. By R. F. Hogan. *Cost and Management* (66 King Street E., Hamilton, Ontario), July-August, 1953. 50 cents. Five basic principles of effective pricing are cited in this article, which also offers a discussion of the cost elements which should be considered in developing an accurate forecast of the price of a product which has undergone changes in design. Special emphasis is laid on the importance of adequate comparative cost estimates for enabling management to reach a sound decision on whether specific product components should be manufactured in the plant or purchased from suppliers.

TODAY'S MONETARY POLICY. By W. Randolph Burgess. *Vital Speeches* (33 West 42 Street, New York 36, N. Y.), September 15, 1953. 30 cents. A Treasury official discusses the federal budget, Federal Reserve policy, and debt management as vehicles for accomplishing the Administration's two major objectives: a sound defense policy and a stable economic structure based on sound money. Outlining several ways bankers can aid the country as it enters a period of freer markets and more normal interest rates, he suggests that banks reexamine the maturities in their bond portfolios to stagger them more widely.

WHY PENSION FUNDS SHOULD INVEST IN REAL ESTATE. By George W. Warnecke. *Trusts and Estates* (50 East 42 Street, New York 17, N. Y.), September, 1953. 60 cents. While a substantial part of life insurance company assets —including assets from insured pension funds —is invested in mortgages and real estate, trusteed funds have for various reasons avoided this type of investment, the author points out. He believes, however, that real estate investment is more practicable than has been supposed, and that it can significantly augment the long-term stability of pension funds. A discussion of types of profitable investment properties and of mortgages and leaseback arrangements concludes the article.

MANAGEMENT COMPENSATION. By O. W. Blackett. *Michigan Business Studies* (Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich.), Vol. XI, No. 2, April, 1953. $1.75. Reports on a statistical study of the relationship of executive compensation to capital employed and earnings, which was based upon the salary scales of 92 companies from 14 industries in 10 pre-war and five post-war years. Among the findings: While approximately two-thirds of the companies studied increased their executive salaries in

the post-war period, the increases were seldom adequate to make up for higher taxes, which weighed most heavily on the highest-paid men. The trend of management compensation illustrates, in the author's view, the general leveling of incomes which is slowly taking place throughout the economy.

SIMPLIFIED COST CONTROL FOR SMALL INDUSTRIES. By I. Wayne Keller. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), September, 1953. 75 cents. Far from being complex, unwieldy, and expensive tools which are unadaptable to the smaller plant, labor and cost standards can produce real benefits if they are intelligently adapted to company conditions and needs, the author points out. This article describes appropriate procedures and illustrates typical worksheets for developing labor standards, for cost control, and for calculation of variances.

AMERICA'S HEADACHE: THE NATIONAL DEBT. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), August, 1953. 20 cents. After reviewing briefly the history of the national debt and the reasons for its growth, this article discusses the implications of long- and short-term borrowing by the Federal Government and weighs the probable effect of the Administration's current fiscal policies on the economic health of the nation.

MUTUAL FUNDS AND EMPLOYEE STOCK PURCHASE. By Nathan Belfer. *The Commercial and Financial Chronicle,* August 13, 1953. (Reprints available on request from Professor Belfer at Pennsylvania State College, State College, Penna.) Noting the recent revival of interest in employee stock-purchase plans, the author discusses their value as a means of increasing the interest of rank-and-file employees in their company. He points out, however, that exclusive purchase of the stock of a single company violates the cardinal principle of investment, i.e., diversification, and recommends investment in mutual fund shares as the best principle for stock purchase programs.

MONTHLY AUDITS AND REPORTS. By Ernest D. Loewenwarter. *The New York Certified Public Accountant* (677 Fifth Avenue, New York 22, N. Y.), July, 1953. 50 cents. Critical re-examination of customary monthly audit practices will frequently disclose, says the author, that by eliminating certain procedures and adding others previously overlooked, the independent accountant can frequently serve his client's interests much more effectively than before. For some companies, he points out, the "interim audit"—conducted perhaps four times yearly—can be fully as useful as the monthly examination.

BORROWING MONEY FROM YOUR BANK. By William G. F. Price. *Management Aids for Small Business* (Small Defense Plants Administration, Washington 25, D. C.), July, 1953. Gratis. Many small-plant executives do not understand how to do business with their banker, says the author, pointing out that since the banker is obligated to know as much as he can about the borrower himself, his business operations, and his plans and problems, it serves the borrower's interests to be as frank as possible about these matters. Several types of collateral are described, and suggestions are offered for using them.

THE "HOW" OF BUDGETING. By Clinton W. Bennett. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), September, 1953. 75 cents. The orthodox division of standard costs into variable and fixed costs should be supplanted by a three-item cost breakdown for the budget, the author states: out-of-pocket costs, sunk costs, and semi-fixed or semi-variable costs. He also outlines three items needed for proper budget control and stresses the human considerations involved in the construction of a budget.

Insurance Management

MEDICAL INSURANCE FOR THE INJURED WORKER: A GROWING TREND?

THE BASIC IDEA behind the 54 workmen's compensation laws in the United States and its territories is that the employer is liable for accidents and injuries suffered by workers on the job. There is no general assumption that this liability arises from neglect or poor safety devices. On the other hand, there is no assumption that the employee is blameless, since he may cause an accident through willful negligence or intoxication. However, the question of fault has virtually disappeared. In 1917 the U. S. Supreme Court ruled that a compensation law in New York assessed liability without fault, but it refused to throw out the law as unconstitutional. The law's purpose, according to the high court, was to make the employer avoid accidents and was therefore in the public interest. Since then, all states have adopted some form of industrial accident insurance.

The medical services to which an injured worker is entitled are just as important as the compensation he draws during the period in which he cannot work. By July, 1953, 34 state and two federal laws provided full benefits for medical care, either by a ruling of the state compensation commission or by law. The remaining 18 states established medical-care coverage through combinations of time limits and maximum amounts for doctor's and hospital bills.

There is much discussion today of the issue of extending medical coverage. Those in favor of unlimited coverage insist that only through full medical care can the worker be restored to a useful job and the long-term cost of compensation payments be reduced. Opponents of full coverage say that the cost becomes prohibitive, especially in the case of occupational diseases. Even states with otherwise liberal medical provisions have limitations on the more common occupational diseases, such as silicosis.

There is considerable variation in the selection of doctors under the laws. A number of states permit only the insurance carrier or the employer to select the physician. In others, the worker is allowed to pick his doctor from a panel named by the carrier or the employer.

Similarly, there is considerable difference among the states on the matter of supervision of medical aid and treatment. Less than half of the states have medical personnel, and many of the states which have doctors do not retain them on a full-time basis.

The newest and possibly the most important development in medical-compensation coverage is the rehabilitation of injured workers. An increasing number of states are providing convalescent and post-operative training which prepares disabled workers for new jobs. The success of the Armed Forces and the Veterans Administration in returning injured

servicemen to duty or to productive jobs set the example for the workmen's compensation agencies.

As yet, only a few laws provide for rehabilitation, but many of the states furnish training programs through their medical-care provisions. Rhode Island, Washington, Oregon, and Puerto Rico have set up rehabilitation centers exclusively for the training of injured workers. The savings achieved where a man who would otherwise draw compensation for several years, is trained in another job are obvious.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.), September 4, 1953, p. 3:4.

Life Span Reaches New High

THE AVERAGE LIFETIME of the American people reached a new high of 68.4 years in 1950, according to the Metropolitan Life Insurance Company. This represented a gain of 21 years since 1900. During the prior half century, from 1850 to 1900, the increase was only seven years, while before that the gains were even more gradual.

Among the reasons for our remarkable longevity record since the turn of the century are striking advances in the medical and allied sciences, made widely available throughout the country; the development of public health agencies, official and voluntary; and the rapid rise in the standard of living.

Noteworthy is the high figure for the expectation of life at birth for white females—72.4 years. In this group, more than 70 years of life remain for children through age 4, more than 60 years for those through age 14, and more than 50 years for adults through age 25.

The expectation of life at birth for white males corresponding to mortality conditions in 1950 is 66.6 years, or 5.8 years less than that for white females. This disadvantage diminishes slowly with advance in age, the difference dropping to five years at 23, to four years at age 51, and to three years at age 60.

The marked success achieved in controlling the diseases of childhood and early adult life is clearly reflected in the remarkably low mortality rates at these periods of life. In 1950, the mortality among white males was less than 2 per 1,000 in the ages from 2 through 31 years; among white females the corresponding range was even wider—from ages 1 through 37. After infancy a death rate as high as 10 per 1,000 was not reached until age 50 by white males and age 57 by white females.

—*Insurance Advocate* 8/22/53

INSURING YOUR CONTRACTUAL LIABILITY

THE IMPORTANCE OF contractual liability insurance is obvious to any insurance manager who has studied his company's dealings with others, noted the conditions outlined in some of the leases, contracts and other agreements, and then taken a careful look at his general public liability policy's exclusion clauses.

Possibly the most familiar of the various types of agreement which have made this coverage necessary is the lease agreement. A landlord leasing an entire premise to a tenant may have a legitimate excuse for asking the tenant to assume his liability of all nature; but in many instances it has been found that leases covering space in a multiple occupancy location may have vicious or unfair clauses, which attempt, for example, to pass on to the tenant responsibility for accidents arising in public ways. Here, a careful perusal and protest may gain revisions that will at least reduce the cost of contractual insurance.

A very common type of agreement is that involving railroads. A manufacturing operation not in close proximity to rail service is a rarity, and therefore railroads, with some justification, demand varying degrees of assumption of liability from their clients.

Another common type of agreement covers encroachments on private or public rights of way. If any of these involve rights of way used for carrying utility lines, such as gas or electricity, the assumed hazards may reach staggering heights—particularly if an accident might cause release of gas or rupture of high-voltage power lines. Moreover, a great danger of contingent liability for failure of services might be involved.

A very important type of contract where liability may be passed to others in varying degrees is the contract for work or services to be performed. This may be between an owner and a general contractor or between the general contractor and subcontractors. Agreements pertaining to the rental of machinery or equipment also are likely to contain hold-harmless clauses.

Sales contracts and purchase orders frequently have the intent, at least, of passing on the maker's liability. There is some doubt as to the validity of such agreements—but they exist and must therefore be considered. Often a supplier is asked to assume all liability by one of his customers before the supplier or his employees may enter the customer's premises to perform services or even for sales purposes. Agreements of this kind can be written in extremely vicious forms and often there would seem to be good reason for refusal to sign—though sales dollars may sometimes override such considerations.

Regardless of the fact that some assumed liability clauses will not stand up under legal test, the need for safeguard exists in case a favorable ruling does not obtain. Eliminating any consideration of self-insurance, we can arrange insurance in any one of four methods, which have been outlined as follows:

1. A full blanket coverage for all contracts with disclosure unnecessary.

2. Blanket with automatic coverage, premium to be computed at time of audit.

3. Reporting form, with automatic coverage if a proper report is rendered to the carrier within a specified time limit after completion of contract.

4. Specific coverage on submission of contracts to carrier.

It is obvious that the first method is

the best, but such coverage is not regarded with great favor by insurers for every type of business. We must attempt to get as broad a cover as possible, recognizing our obligation to keep our insurers properly informed and to pay them a premium sufficient for the job we expect them to do.

Conversely, if a contract is arranged that makes the other party assume our liability, we must make certain that he has proper financial stability to fulfill his part of this bargain, or adequate insurance coverage. His insurance should be properly written to cover his assumed liability.

If business can make some progress toward eliminating practices which have made contractual liability insurance necessary—or at least reducing it to the point where each party to a contract carries his own legal burden—much good will be accomplished. It will still be necessary for the buyer to study his company's agreements and see that his coverage takes them properly into account; but the job will have been simplified, the insurers will have a more palatable hazard, and the premium costs will be reduced.

—George E. Rogers. *The Weekly Underwriter*, September 26, 1953, p. 748:2.

Providing for the Employee's Widow

If an employee dies just one day before retirement, his widow receives no income under many company pension plans. Recognizing this limitation, a number of companies today are making use of a variety of new methods which provide some income for employees' widows. Chief among these, according to the insurance brokerage firm Johnson and Higgins, are the following:

1. Provision for a widow's death benefit that usually bears some relationship to the employee's earnings and length of service.

2. A guarantee that the employee's pension will be paid for some minimum period after his retirement, usually five or 10 years, should the employee die within that period.

3. An extension of the usual option to provide a life income for the widow of an employee who, having elected the option, dies before retirement but after meeting some specified age or service requirement.

4. Inclusion in the pension plan of a specified life income for widows of employees who die before retirement.

The cost of any of these methods varies considerably from company to company. One determining factor, of course, is the extent of the benefits provided. If the provision is made as an extension of the basic employee pension plan, the terms of that plan are also an important factor in determining cost. As a result, it is possible for the cost to range from as little as ¼ of 1 per cent to as much as 5 per cent of payroll.

—*Insurance Advocate* 7/11/53

While government "red tape" has often been decried, figures recently released show what some of it really costs. It has been reported that some 8,900 spools of red tape (at 53 cents a spool) were used during the past year, mostly for tying up documents to be put in storage. Approximate cost: $4,700.

—*Tax Outlook*

Hospital-Expense Coverage—A New High

MORE THAN 91 million people were protected, voluntarily, against hospital expenses at the close of 1952—7 per cent more than were covered in 1951—according to a survey conducted by the Health Insurance Council, which delved into group, individual, Blue Cross, and independent plans.

The figures quoted in the survey reflect a deduction for estimated duplication to avoid counting persons insured under more than one plan, but they included beneficiaries as well as individual policyholders.

Surgical expense coverage increased 12 per cent last year and protected 73 million participants. Medical expense protection, other than surgical costs, gained 29 per cent and covered over 35 million Americans.

Under group coverages, 29,455,000 persons were protected from hospital costs; 29,621,000 from surgical expenses, and 10,157,000 from medical costs.

Individual insurance protected 22,254,000 from hospital expenses; 19,196,000 from surgical charges; and 5,118,000 from medical outlays.

Blue Cross and medical society plans covered 43,475,000 from the costs of hospitalization; 27,773,000 from surgical expenses; and 18,321,000 from medical expenditures.

Independent plans—such as industrial, community, private group clinics, and college health plans—covered 5,364,000 from hospitalization costs; 4,794,000 from surgical outlays; and 5,150,000 from medical expenses.

—*Journal of Commerce 9/28*

Also Recommended • • •

WHAT'S WRONG WITH SOCIAL SECURITY. By the Honorable John F. Kennedy. *The American Magazine* (202 West High Street, Springfield, Ohio), October, 1953. 35 cents. In this article the junior Senator from Massachusetts discusses what he considers the major flaws in the present social security law: (1) the "work clause," which sets a ceiling of $75 monthly on the earnings of social-security recipients; (2) the lack of coverage for workers who suffer permanent and total disability before reaching age 65; (3) the limited base of the program, which excludes workers in a wide range of occupations; and (4) the ineligibility of widows to receive benefits at age 60.

DISABILITY INSURANCE HAS COME OF AGE. By Robert R. Neal. *The Spectator* (Chestnut and 56th Streets, Philadelphia 39, Penna.), October, 1953. 50 cents. Observing that disability insurance has grown from a $300-million to a $2-billion industry in the past 15 years, the author sees evidence of its further expansion in the increasing interest in this field which established life insurance companies have shown since 1950. Problems peculiar to disability insurance—such as the high incidence of claims, due partly to the fact that the average individual suffers approximately nine important disabilities in his lifetime—are discussed in this article, as are prospects for the future expansion of private hospital, surgical, medical, and loss-of-time protection. Charts accompanying the text show the past growth in coverage of each of these four types.

MARKET CAPACITY PROBLEMS TOLD. By Arthur L. Melling. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), September 26, 1953. 25 cents. When—as sometimes happens—the large insurance buyer has difficulty in securing proper coverage for a major exposure, he is confronted by a fact of which the agent and the underwriter are constantly aware: that the capacity of the insurance market to absorb losses is far from unlimited. This article offers an analysis of the various methods of reinsurance employed by insurers to spread potential losses. The First Surplus Obligatory Treaty, the Burning Cost Plan, and the Excess of Loss method of fire reinsurance are discussed at length, and inland marine and casualty reinsurance in lesser detail. The author concludes with a description of some forms of excess insurance currently available to the insurance buyer.

Survey of Books for Executives

MOTIVATION AND MORALE IN INDUSTRY. By Morris S. Viteles. W. W. Norton and Company, Inc., New York, 1953. 510 pages. $9.50.

*Reviewed by Lawrence Stessin**

Research into what makes workers tick has come a long way since an inquisitive gent by the name of Elton Mayo began his now-classic experiments at Western Electric. What started out as a prosaic study of the effect of illumination on fatigue ended up as a world of new concepts of the dynamics of human behavior in our industrial society. Mayo's findings must have come as a surprise and shock to many managements of the early Thirties, to whom the niceties of physical working conditions in terms of good lighting, brightly painted walls, clean floors, landscaped entrances, cafeterias, recreational facilities, and other outward symbols of paternalistic thinking were the principal answers to problems of employee morale.

It's to the credit of the managerial hierarchy (after Mayo's findings were published) that it didn't react to his explorations as if they provided just another example of a meddling professor with his heart in the right place but his head in the clouds. Since Mayo, industry has embraced the "eggheads"—the social scientists—with a fervor that belies the fictional image of the business man as a practicing Babbitt whose interest in universities and colleges is measured by the size of their stadiums or the prowess of their football teams.

And industry hasn't suffered one whit from the pokings-around of the academicians. Indeed, they have sparked a completely new concept of the management function. The technician with his autocratic, order-giving approach to workers has been replaced by the manager who gets more done through the gentler art of what has come to be called "human relations." Mayo put his sensitive finger on such fundamentals of employee morale as teamwork, group participation, formal and informal groupings, and other motivational syndromes. Others have picked up where the master has left off, until today industrial relations research is a full-blown and respected field.

But keeping up with what the social scientists have done and are doing in their investigations of workers' wants and needs has been a frustrating task for interested executives. Many of the most useful and significant findings have been spread hither and yon in technical journals, in company files, and—preserved on microfilm—in university libraries. (A good example is the work of A. H. Maslow, whose writings on the emotional needs of workers have been buried for years in esoteric journals. Within the last two years he has been "discovered" by several executives—who, by applying Maslow's theories to problems in their own plants, have been able to give their labor-management relations quite a lift.)

Now, at long last, the major experiments conducted in the industrial relations field by sociologists, psychologists, anthropologists and the rest of this scholarly coterie have been made readily accessible. In his tremendously valuable book, *Motivation and Morale in Industry*, Dr. Morris Viteles has filled a big gap in the literature of labor relations. Dr. Viteles, who is Professor of Psychology at the University of Pennsylvania sets the tone and theme of his work in the preface:

> This volume is devoted to a comprehensive description and critical evaluation of American and British experimental studies and attitude surveys bearing upon the sources of motivation

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and the determinants of morale in industry.

Throughout the book, emphasis is placed upon the application of research findings in increasing employee productivity, job satisfaction, and morale in an atmosphere of harmonious relations between management and workers, both as individuals and as members of informally and formally organized groups. In this respect, as is particularly apparent in the final section, the book is primarily directed to management and others concerned with the organization and operation of the industrial enterprise, and more specifically with the formulation and administration of personnel policies.

Although the Viteles book is encyclopedic in concept (he covers the work of some 300 experimentalists) it is so well written and organized that its bulk, its footnotes, and its elaborate references are no handicap to the reader. This volume is no mere recital or digest of important research. The author interprets, analyzes, and "takes to task" even such venerated pioneers as Mayo himself.

Dr. Viteles is not all longhair—he is a consultant to several large corporations—and he doesn't scoff at the money factor as an important motivator of morale and productivity among workers, as seems to be the fashion among many social scientists in the field.

Indeed, the good professor's own commentaries on the work done by his predecessors and colleagues will serve as an important guidepost to the executive who might tend to go all out for some theory or survey and put it into practice with dubious results. Better than most specialists in the field, Dr. Viteles knows that the results of an experiment might look deceptively enticing on paper and very persuasive when fringed with charts, bargraphs, and the high-sounding jargon of the technician—but that the conclusions reached by the experimenter might go haywire when plunged into the realities of a workaday situation. With the good judgment that comes with 30 years' experience in this volatile field, the author appraises and assesses the generalizations and conclusions of the material presented.

Perhaps the best of Dr. Viteles' book—in this reviewer's opinion—are the chapters on "Supervision, Productivity and Morale," "Employee Participation in Decision Making," "The Work Group as a Social Organization," and "Teamwork."

Here is a compact distillation of Likert's well known studies at the Prudential Life Insurance Company on the differences in morale and output between workers whose bosses are "employee-oriented" and "company-oriented." The Harwood Manufacturing Company experiments on worker resistance to change are carefully examined, and Dr. Viteles comes up with several telling doubts as to the elaborate conclusions which many have drawn from them.

One might go on and on citing examples of the author's clear presentation, acute analysis, and keen observation, but a reviewer can only touch on the highlights. *Motivation and Morale in Industry*, in a word, overshadows anything else in the field. And management owes Dr. Viteles a collective vote of thanks for gathering such useful and important material within the confines of a single volume. If ever there was a "must" book for the executive's shelf, this is it.

Just a word of congratulation to the publishers. They have done an admirable job of printing. The book is easy to read, the type face clear and large—just the thing for the bifocal set.

YOUR INSURANCE PROGRAM. By Robert S. Whitmore. Murray & Gee Inc., Culver City, Calif. 1952. 132 pages. $5.00.

Reviewed by Russell B. Gallagher*

While raising numerous points and questions which will give pause even to the veteran corporate insurance administrator, this volume is necessarily more in the nature of a primer for the uninitiated. It is, however, remarkable in two respects: its conversational tone—the author conveys his information as a qualified broker might do, ideally, in talking to a client—and a novel checklist on the reader's understanding of insurance practices and their application, which provides a built-in "conscience developer."

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The scope of the book is demonstrated by an early paragraph in which the author advises: "Determine your insurance needs by the definite determination of your each and every insurable exposure to loss; apply adequate insurance to those needs; accept only those policies of insurance which are correctly written, comprehensive in scope and which will be continuously valid under changing conditions beyond your control. These three steps constitute a positive approach to your insurance problems and are your assurance of a sound insurance program."

Another statement is likewise noteworthy, though its location may be questioned (it is found at the very end of the book): "Many of the larger business concerns have found it desirable to establish their own full-time insurance administration facilities employing insurance specialists whose duty it is to attend to insurance program planning, to deal with the insurance markets, either direct or through agents and brokers, in the purchase of insurance coverages, to supervise loss matters and generally perform the functions necessary for a proper and adequate insurance program at minimum premium cost. Under capable administration such a facility can prove highly effective."

It must be noted that in some of his observations the author too readily assumes the practicability of certain changes in insurance procedures which he regards as desirable. Actually, some of these changes are not feasible under the rules and regulations which confine the insurance business. An illustration: In his discussion of the analysis of property descriptions, Mr. Whitmore proposes that much of the descriptive detail in the fire insurance policy form be eliminated. While this would undoubtedly simplify matters for the insured, it is definitely impracticable so far as the insurance company is concerned; without such detail, it would be impossible for the insurance company to write an insurance policy within the purview of current law—nor could the insurance company rate a property according to its proper classification without this data.

The most noteworthy section of this work is that which deals primarily with fire insurance. This is a fairly comprehensive section and points out many of the pitfalls which confront one who does not understand the practices of the insurance business. It is unfortunate that the section fails to refer to some of the syndicates which insure the so-called "superior risk," confining its remarks on the subject of cost to a short discussion of direct writers and those companies which underwrite through the services of agents and brokers.

From this point, in the reviewer's opinion, the quality of the book deteriorates as the topics of liability, workmen's compensation, criminal loss, business interruption, and marine insurance sections are taken up in turn. These very important subjects are treated in a somewhat casual manner—although, as must be admitted, the limited size of the work does not permit too comprehensive a discussion.

Your Insurance Program may prove valuable to those whose knowledge of and experience with insurance problems is on the minimal side. For such readers, this book may prove sufficiently stimulating to indicate the need for further research and education on the general subject of insurance.

EXECUTIVE DEVELOPMENT: ***A Survey of Experience in Fifty American Corporations.*** By John W. Riegel. University of Michigan Press, Ann Arbor, Mich., 1952. 369 pages. $6.00.

Reviewed by Robert G. Simpson*

Some 35 years have elapsed since Gilbreth (and possibly other pioneers before him) advocated the formalization of that group of personnel management activities which is now identified by the title of this book. Executive development: The phrase has established its place in the jargon of management—a mystic symbol of hope and of expertise, fascinating the leaders of business, of government and the services. Its temptations have proved irresistible; and indeed, who can disapprove? Common sense indicates its necessity. Experience has proved its practical value.

Executive development is an omnibus term,

* Urwick, Orr & Partners, Ltd., London, England.

covering several separate phases of personnel management. In its simplest form it can be merely the provision of informal training to individuals who are thought to possess some of the stuff of future leadership. At the opposite extreme are elaborate plans and programs, highly formalized in their application, embracing a vast range—from recruitment and selection through all the aspects of instructional- and experience-training to the deliberate prediction of promotions and transfers. Dr. Riegel has attempted to cover this range in examining the activities of 50 companies from a wide variety of industries. From the material thus provided, he has endeavored to extract and crystallize the details of current practice. In this aim he has succeeded. The subject matter has been comprehensively examined, and is analytically recorded in a book which, of all those seen by the reviewer, comes nearest to being definitive; background, values, and methodology are all considered.

It is a pity that a report of such obvious worth should be weakened by lack of forthrightness. Persistently, throughout the descriptions of factual findings, statements commence anonymously and nebulously: "The company emphasized . . .", or "A number of the companies . . .", or "The president of one company . . .", etc. Anonymity was perhaps necessary. But it seems almost as though the author was afraid *not* to acknowledge repeatedly the "democratic" nature of his fact-finding process. Is it an apologia for the expression of definite opinions? Yet express opinions he does, firmly and at times dogmatically, often in such a context that it is difficult to decide what represents the company's statement and what the author's comment. The text is larded with too many judgments for the book to be merely the "survey" which it proclaims itself. Also, again perhaps inevitably, the coverage given to various aspects of the over-all problem, and their solutions, appears to be excessively weighted by the author's personal evaluation of their relative importance. And the manner of reporting is colorless and at times cold.

There is one other major weakness—possibly at once a limitation of coverage and a presumption that all things are possible, even when human frailty enters in. The book seeks, by its nature and its inference, to establish that patterns of human character and behavior can be remade by executive development activities—a perplexing belief. A logical concomitant of this belief is the distressing preoccupation of so many executive development specialists in the methodology of their subject, and their faith in the power of that methodology alone to effect changes in people. Appropriate methodology is of course vital to success in any deliberate attempt to "develop" management personnel. But a program of executive development is of value only to the extent that it is built upon the variable substance of human beings. Man is not predictable, like a chemical reaction; he is idiosyncratic, unreliable, inconsistent in his reactions. As one American philosopher has said ". . . the true self of any individual man is not a datum, but an ideal." Likewise, there is no mention of the fact that executive development is, in its present forms, little more than a stopgap, a temporary expedient. It is a process aimed at providing the community with better leadership until the whole philosophy of the training and development of leaders has been revised. This involves the relationship between business and the universities and the community. It will obviously take many years a-growing, and then many more years must elapse before its products have grown into the structure of the leadership of their generation.

Possibly the most significant fact that emerges from a study of this book is the genuineness of the interest at present manifest in executive development. This is of comparatively recent origin. In the 25 years up to the end of World War II, interest in the subject was desultory. Few people foresaw the need, and few companies were prepared to provide the funds required to finance an activity which seemed at best somewhat "precious," at worst a wicked extravagance. If

the right man wasn't available within the organization, then plenty more were readily available outside. For its era, this attitude was almost inevitable. The size of the unemployment pool automatically took care of the dissentient voices. But since the war new factors—some idealistic, some practical—have entered the situation: preservation of the democratic pattern in promotions; recognition of the "immortality of the corporation" and the closer identification of the individual with its long-term destiny; the increasingly vocal demands of organized labor; the scarcity of college graduates; the general shortage of competent executive personnel, and the disruption to that supply by the staggering facts of the nation's participation in a global conflict. These and many others have radically altered the outlook of American business on the task of providing for succession in leadership.

It is not to be wondered at that the sudden upsurge in interest in the subject has given rise, almost overnight, to a profusion of literature. Few of these publications have been of other than passing value. Even fewer have made any practical contribution to meeting industry's urgent needs. Dr. Riegel's book is one of these very few—less than half a dozen—at present available, which will repay the time spent in close scrutiny by people who are genuinely concerned with the task and the problems of developing management personnel. The volume cannot be regarded as encyclopedic or even definitive—executive development is much too young and energetic and experimental yet to justify any attempt at absolute definition. But it does make a highly valuable contribution to the codification and classification of the subject matter, the methodology, of executive development. It is deservedly achieving wide circulation.

Briefer Book Notes

[Please order books directly from publishers]

PERSONALITY FUNDAMENTALS FOR ADMINISTRATORS. By Chris Argyris. Labor and Management Center, Yale University, New Haven, Conn., 1953. Revised edition. 123 pages. $1.50. In non-technical language, this manual describes human motives, needs, and abilities; the parts of the personality and how they develop and adjust to the environment (or retreat from it); the history of personality theory; and some of the applications of theory to industrial life. The author stresses that the healthy personality is one which is continuously changing to meet the needs of a changing world; and that no static, ideal personality is either desirable or possible.

FULL EMPLOYMENT ON TRIAL: A CASE STUDY OF BRITISH EXPERIENCE. By Paul E. Sultan. *Industrial Relations Publications* (Department of Industrial Relations, School of Business Administration, University of Buffalo Buffalo 14, N. Y.). National interest in post-war Britain triumphed over sectional interests, long-run economic reconstruction over short-run material welfare, and investments over consumption, the author finds. It was therefore possible to achieve an unusually high level of employment without substantially modifying free collective bargaining or sacrificing stable prices.

THE PREDICTION OF EFFECTIVENESS AS A FACTORY FOREMAN: *Psychological Monographs, No. 362.* By Martin M. Bruce. The American Psychological Association, Inc., 1333 Sixteenth Street, N.W., Washington 6, D.C. 1953. 17 pages. $1.00. Reports on a study designed to investigate the importance of certain personality characteristics, skills, and abilities to the effectiveness of 107 foremen in a major tobacco firm, and to evaluate certain psychometric instruments and other predictor variables (age, education, mental ability, dominance, etc.) in predicting supervisory success.

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